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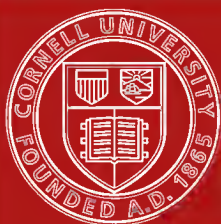


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SELECTED

SPEECHES AND REPORTS

ON

FINANCE AND TAXATION,

*FROM 1859 TO 1878.*

BY

J O H N S H E R M A N .



NEW YORK:  
D. APPLETON AND COMPANY,  
549 AND 551 BROADWAY.  
1879.

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## P R E F A C E .

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IN accordance with the expressed wish of friends and for convenient reference, I have selected for publication the following speeches and reports made by me on the finances and taxation of the Government since 1859.

Most of the topics mentioned are still debated in Congress and before the people. Many of the speeches were made on the passage of Acts of Congress now forming the body of existing laws relating to the issue of United States notes and coins, and the circulating notes of national banks. The few explanatory remarks are deemed necessary to enable the reader to better understand the subject under discussion, and no revision has been attempted except to correct verbal inaccuracies.

If this work shall contribute in any way to throw light upon the important problem of securing a stable currency of paper money redeemable in coin, it will have accomplished its purpose.

JOHN SHERMAN.



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# SELECTED SPEECHES AND REPORTS

ON

# FINANCE AND TAXATION.

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## ON THE MORRILL TARIFF BILL.

*IN THE HOUSE OF REPRESENTATIVES, MAY 7, 1860.  
THIRTY-SIXTH CONGRESS.*

THIS speech was made with a view of securing additional revenues to strengthen the Treasury, which, since the first year of Mr. Buchanan's administration, then in power, had suffered unusual depletion. On June 30, 1857, the public debt was only \$29,060,386.90, against which the Treasury held of cash in its vaults \$17,710,114.27. To set free the increasing balance, and thereby to relieve if possible the commercial and other interests of the country, which were then struggling to ward off the revulsion which finally came upon them, the Secretary of the Treasury, Howell Cobb, purchased before the middle of November, of stock not due, an amount of \$4,878,377.33, paying thereon a premium of \$688,977.78. The revulsion affecting the trade and business of the country more severely than was anticipated, the current revenues of the Treasury were suddenly decreased more than one half in amount, and, upon the opening of the first session of the Thirty-fifth Congress in December, the Secretary was compelled to ask for a loan of \$20,000,000. Prompt response was made, and on the 23d of that month Congress authorized the issue of \$2,000,000 Treasury notes, payable one year from the dates of their issue; and before the adjournment of the session, on the 23d of June following, it authorized an additional issue of \$20,000,000 of bonds, payable in fifteen years.

At the close of the fiscal year (June 30, 1858), there was in the Treasury a cash balance of only \$6,398,316.10, but none of the notes or bonds authorized had then been sold.

During the next year the expenses of the Government were increased, but no steps with a view of increasing the revenue from taxation appear to have been taken. To meet current expenses during the year, the Treasury realized from issue of notes of December 23, 1857, \$9,667,400, and from the bonds authorized by act of June 14, 1858, \$18,620,000, increasing the debt to \$58,754,699.33, but still leaving the Treasury at the close of the year, June 30, 1859, with a balance of only \$4,339,275.54.

The Thirty-sixth Congress assembled December 5, 1859, and the House organized after a struggle over the election of Speaker of about two months. The opposition finally succeeded, and Mr. Sherman was placed at the head of the Committee on Ways and Means.

Mr. Sherman said :

**MR. CHAIRMAN :** The revenue act of March 3, 1857, which it is now proposed to repeal, has proved to be a crude, ill-advised, and ill-digested measure. It was never acted upon in detail in either branch of Congress, but was the result of a committee of conference in the last days of the session, and was finally passed by a combination of hostile interests and sentiments. It was adopted at a time of inflated prices, when the Treasury was overflowing with revenue. When that condition of affairs ceased, it failed to furnish ordinary revenue, and by its incidental effects operated injuriously to nearly every branch of industry.

It went into operation on the 1st of July, 1857. At that time there was in the Treasury of the United States a balance of \$17,710,114. The amount of the public debt then remaining unpaid—none of which was then due—was a little over \$29,000,000. So that there was in the Treasury of the United States, when the tariff act of 1857 went into operation, nearly enough to have paid two thirds of the public debt. Within one year from that time the public debt was increased to \$44,910,777. On the 1st of July, 1859, the public debt had increased to \$58,754,699. On the 1st of May, 1860, as nearly as I can ascertain, the public debt had risen to \$65,681,099. The balance in the Treasury on the 1st of July next, as estimated by me, will be \$1,919,349.

Thus it is shown that, under the operation of the tariff of 1857, the deficit in the revenue in three years is over \$52,000,000. It may be stated thus :

Balance in the Treasury July 1, 1857.....	\$17,710,114
Balance in the Treasury July 1, 1860, estimated.....	1,919,349
	<hr/>
Decrease.....	\$15,790,765
Amount of public debt May 1, 1860.....	\$65,681,199
Amount of public debt July 1, 1857.....	29,060,386
	<hr/>
	36,620,813
	<hr/>
Increase.....	\$52,411,578

It is impossible to ascertain from the report of the Secretary of the Treasury the condition of our finances for the fiscal year ending June 30, 1860. I have prepared a statement of receipts and expenditures, based upon the actual sums received and paid for three quarters of the year, and the Secretary's estimate for the last quarter.

The total expenditures will be \$67,702,818, and the receipts from all sources will be \$58,950,445, thus showing a deficit for this fiscal year of \$8,852,373. It thus appears that during the present fiscal year, a year of great commercial prosperity, the ordinary receipts have been insufficient to pay the expenses of the Government by over \$8,000,000, and that too at a time when the expenses of the Government have

been largely reduced below what they were but one year ago. It is very easy to see, if this system of finance is persisted in, that the debt of this Government in a few years will approach the debt of some of the European governments. It is impossible that any government can be properly carried on under such a system. It is perfectly clear, therefore, that unless a different state of facts exists in the future, the present tariff bill will be wholly insufficient to pay the ordinary expenses of the Government.

This deficit is not merely temporary, but it is permanent. During the present fiscal year the importations into this country will amount to over \$412,000,000, or \$50,000,000 more than in 1857—higher than ever before. Although the importations have gone up thus, they have not under the present tariff produced sufficient revenue to pay the ordinary expenses of the Government. We must, therefore, consider one of three propositions. We must either diminish the expenses, increase the public debt, or increase the revenue. I take it that no one in our day desires to increase the national debt. The idea that a national debt is a national blessing is an absurd one, which should never have been tolerated; and I believe that no respectable political party proposes that the Government should go on, as it has for three years past, on the public credit. I do not suppose that any other Administration than the present one would tolerate the practice for three years.

Now, can we diminish the expenditures? That is the first question to which I desire to direct the attention of the Committee. I have before me a table, which has been carefully prepared, showing that the estimates of the Secretary of the Treasury for the next fiscal year, for ordinary purposes, reached \$46,278,893. Including the interest on the public debt, and the expenses of collecting the revenue, and other permanent appropriations, amounting to \$8,173,582, the total amount estimated for is \$54,452,475. But, sir, to this are to be added a vast number of appropriations asked for by the several Departments, but which the Secretary of the Treasury totally ignores. He declares that he asks but for \$54,452,475; yet other Departments of the Government estimate for other appropriations to the amount of \$9,606,250. I wish to warn my political friends that, if they vote these appropriations, they will be placed precisely in the same position that they were in the Thirty-fourth Congress. They will be told that these appropriations were the extravagance of a Republican House, and were made in the face of the report of the Secretary of the Treasury, although the appropriations were asked for by the appropriate Departments of the Government. For the purpose of showing the character of these estimates, I have prepared a statement of most of them, as follows:

Estimates of the Secretary of the Treasury for the service of the year 1861..	\$46,278,893	56
Interest on the public debt.....	\$3,386,621	34
For expenses collecting revenue from imports.....	2,000,000	00
Other permanent appropriations.....	2,786,961	14
	8,173,582	48

The following estimates not embraced in those of the Secretary of the

Treasury, and amounts embraced in bills now before both Houses of Congress :

Estimates for public works in the course of construction.....	\$2,282,400	00
Completion Washington aqueduct.....	500,000	00
Public buildings and grounds.....	44,418	47
Estimate Third Auditor of the Treasury, payment of Oregon and Washington war debt.....	2,714,808	55
Enlargement of public grounds.....	168,250	00
Texas regiment, Senate amendment to Military Academy bill..	779,392	03
Lighthouse bill, reported by Committee on Commerce.....	653,000	00
Restoring mail service, in Post Office bill, 1860.....	500,000	00
Restoring mail service, in Post Office bill, 1861.....	1,539,221	00
Mail routes established in 1858 and Kansas.....	425,160	00
		<hr/>
		9,606,250 05
Total.....	\$64,058,726	09

Among them are estimates for continuing public buildings in the course of construction. These are mostly for the Charleston and New Orleans custom houses, and for the Treasury extension. These appropriations are asked for; and gentlemen here, who will vote against this or any other tariff bill, yet urge the pressing necessity of these appropriations. But the Secretary of the Treasury, who should take a view of the whole field of expenditures, totally ignores them in his estimates. The Washington aqueduct, the Oregon and Washington war debt, the enlargement of the public grounds, and the Texas mounted regiment, have been, or will all be, pressed upon us, and yet neither is included in the estimates. These expenditures will be voted for by the friends of the Administration, who all know that there are no means provided for their payment, and who will thus create the necessity for new revenue, and then generally vote against increasing the revenue, and go before the people clamoring about new taxes and tariffs. Charged with the administration of the Government, yet they expect the Opposition to vote them supplies for all sorts of demands, to furnish them revenue against their votes, or they will pay the salaries of their officials by increasing the public debt.

As an example, take the proposed regiment of volunteers for Texas, which measure is now pressed by the representatives of Texas. The proposition was voted for by every member of the other side, and perhaps by some members on this side of the House. If this be granted, then here is an addition to the expenditures of the Government of nearly \$1,000,000; and we on this side of the House, who are desirous of raising the revenue sufficiently to meet the expenses of the Government, will be charged with having appropriated this large sum, not estimated for, although nearly all of us will vote against it; and those who do vote for it will, in the main, oppose all measures to raise revenue to meet it. ~~In my judgment, the best mode to meet this new system of financial tactics is to refuse all appropriations for all new objects of expenditure until some proper revenue is provided.~~

Mr. Chairman, there is also a lighthouse bill, which has been or will be reported, and which asks for an appropriation of \$653,000. There is a proposition for the restoration of the mail service, which everybody seems to be in favor of, and which will require over \$2,000,000. Let

me call your attention to the cost of that measure. Although our constituents in all parts of the country have called upon us to increase or restore the mail service, yet I believe that the Postmaster General did right in reducing it. It is the only reform instituted by this Administration. Gentlemen upon this as well as upon the other side should remember that their mandatory restriction will increase the expenses of the Post Office Department over \$2,000,000.

I desire now to say that the Committee on Ways and Means, who have had charge of appropriation bills, have endeavored faithfully and honestly, without regard to party divisions—and all parties in this House are represented in that committee—to cut down the appropriations to the lowest practicable point, and thus to reduce the expenses of the Government. I have before me a table, showing that, upon the estimates submitted to us by the Secretary of the Treasury for the ordinary expenses of the Government, we have been able to reduce the amount about \$1,230,000. It is as follows:

*Statement of the various bills reported by the Committee of Ways and Means, First Session Thirty-sixth Congress, for the service of the year 1861, showing the estimates of the Secretary of the Treasury, with the reductions made therein, with the amounts reported by said committee.*

	Estimates, Secretary of Treasury, year 1861.	Amounts reported by Committee on Ways and Means.	Reduction on Estimates.
Invalid pensions, &c.....	\$849,000 00	\$849,000 00	
Military Academy.....	183,892 00	180,392 00	\$3,500 00
Indian.....	1,918,502 38	1,907,002 38	11,500 00
Consular and diplomatic.....	1,137,120 00	1,082,120 00	55,000 00
Fortifications.....	675,000 00	605,000 00	70,000 00
Army.....	14,623,603 72	13,984,126 12	639,477 60
Legislative, executive, and judicial....	5,995,109 97	5,870,315 53	124,794 44
Sundry civil.....	3,663,395 82	3,491,414 32	171,981 50
Naval.....	11,244,845 63	11,182,283 63	62,562 00
To supply deficiencies in revenues, Post Office Department, year 1861.....	6,988,424 04	5,897,221 75	91,202 29
	46,278,893 56	45,048,875 73	1,230,017 83

Estimates Secretary of the Treasury.....	\$46,278,893 56
Reductions made by Committee of Ways and Means.....	1,230,017 83

Amount in bills as reported by committee.....	\$45,048,875 73
Add permanent appropriations, excluding interest on the public debt, amounting to.....	4,786,961 00

	\$49,835,836 73
Add interest on public debt.....	3,886,621 00

Total.....	\$53,222,457 73
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If the House will take the bills as reported by the Committee of Ways and Means, instead of the estimates of the Secretary of the Treasury, they will save the Government about \$1,500,000. But I cannot say that I expect they will do so, because I have no doubt that the very items which, upon the fairest examination, we have found to be too large or unnecessary for the public service, and have therefore reduced,

will be put upon the bills, either by this House or in the Senate; and, no doubt, the bills will be overloaded with Senate amendments of four or five millions more, as has been the case during every Congress since I have been a member of this House. If, however, the estimates of the Committee of Ways and Means and their reductions are sanctioned, the ordinary appropriations for the Government will be reduced to \$45,048,875, aside from the public debt and the permanent appropriations. And, in my judgment, if we would devote our time to a fair investigation of the ordinary operations of the Government, we might reduce our aggregate expenses to \$50,000,000 annually; but as long as sectional controversy is the chief employment of our time, as long as no debate is allowed here except that which involves the safety of slavery, we never can accomplish a radical reduction of the expenses of the Government.

No permanent or substantial reductions can be made without an earnest coöperation between the executive and legislative branches of the Government. We can limit appropriations, but we cannot, except by the process of impeachment, prevent the misapplication of the public money. We may appropriate for officers and clerks, but if the President or a head of Department will detail them to edit a party newspaper, or pension them for party services by appointing them to offices whose duties they never perform, we cannot prevent it. If the head of each Department shall, without fear or favor, administer his Department, applying to services rendered there precisely the same rule, as to fitness, industry, and compensation, as would be applied by any prudent private citizen in his own affairs, all the abuses we now hear so much of would soon cease.

There are several branches of expenditure which, in my judgment, Congress could by wise legislation reduce without injury to the public service; and as I do not desire to debate the several appropriation bills, I propose to state here three or four branches of expenditure where material reductions might be made. The first is the expenditures in the naval service. I was unfortunately in the minority of the Committee upon the appropriations in the Navy bill. I have no doubt that the amount recommended to be appropriated for the construction and repair of vessels could be decreased fully \$1,000,000 with benefit to the public service. In the bill, we have reported \$3,500,000 for the construction, repair, and equipment of vessels, in accordance with the estimates sent in by the Secretary of the Navy. I am opposed to that appropriation; and when the time comes for the consideration of that bill, I shall move an amendment to it in that respect. Last session Congress adopted some substantial reforms, but those reforms have not been regarded in the present Navy bill.

There are other reforms which ought to be made, and which can only be effected by careful legislation. One of these is in the Post-Office service. The deficiency in that Department is now \$6,000,000 annually; and if you restore the postal service to what it has heretofore been, as is now asked, you will have a deficiency of \$8,500,000, and that sum has to be paid out of the public Treasury. I have no doubt that the expenses of the Postal Department could be paid out of

its ordinary receipts. In the State of Ohio, according to the tabular statement sent to us by the Department, the postal service costs more than the receipts; and yet there are contractors in that State—men of the highest respectability and responsibility—who are ready to engage to perform all the postal service in Ohio for one half of the receipts. Why, sir, \$3,243,974 is paid to railroad companies for transporting the mails, and yet these very mails are usually carried in the same cars in which express companies carry private property for one third of the expense. If this mail matter was now carried by express companies, route agents could be abolished. If the whole postal service was let out, as it should be, to private enterprise—to express companies—I have no doubt that the Post-Office business would be better managed, its duties better performed, and a large amount of money saved to the Government.

As a general rule, I take it, we have in the post offices an inferior class of men—generally partisan editors, who have to be rewarded for their services, or men who have distinguished themselves by devotion to their party in their several localities. They are not such men as any private company of individuals would employ to perform the same duties.

You also upon many routes require coaches to be run for the benefit of passengers, while there is no connection between that business and the carrying of mail matter for distribution among the people of the United States; \$3,134,094 is paid for coach service alone. I have no doubt, if the United States were divided into postal districts, bounded as far as practicable by State lines, and the business of carrying all matter over all the postal routes established by law, and its delivery at the different post offices were let out under a judicious management of the Department, the expenditures would be decreased at least to the amount of the deficit.

There is another matter in which there should be a reform. We are appropriating a million dollars every year to pay the ordinary judicial expenses of the Government other than the salaries of judicial officers; all sorts of abuses have grown up in the disbursement of that fund. I need not speak specially of the matters connected with the offices of your district attorneys and your marshals; for all gentlemen must be conversant with the abuses connected with those places. Men are selected, summoned, and kept as jurors and witnesses, because of their political opinions, and as a reward for political service, and all sorts of constructive fees and charges are made and allowed.

But I am taking up more time with these details than I intended. If we could only manage these matters as intelligent business men manage theirs, there would be an end to all these abuses. This we cannot do, because parties look to the public money as the reward of party success. If the Republican party be charged with the administration of the Government next year, as I trust it will, it may oppose all reform; it may follow the example of the Democratic party, in parceling out money and patronage among its partisans, without regard to the public service; but if so, it will surely lose the confidence of its supporters. The Republican party could not stand for a moment, if it were con-



victed, as this Administration has been, of the corrupt practices and abuses disclosed by committees of this House. The difference between the Democratic and Republican parties is that the disclosure of corrupt abuses by Democratic officials does not seem to excite censure or induce removals, while the Republican party has shown a readiness to punish such of its agents as have violated their trust. Many of these abuses have grown out of the necessity imposed upon the sectional interest controlling the Democratic party, to preserve more strength in the Northern States; and therefore offices are given, spoils divided, and newspapers pensioned and edited in Northern States. These corruptions and abuses have gone so far as to bring discredit and reproach upon popular institutions.

I have shown, Mr. Chairman, that we will have to raise sixty-five to seventy millions for the next fiscal year. Where is it to come from? What sources of revenue have we? First, we have the public lands. I have here a table which presents some singular facts in regard to these lands. In the year 1859 the Government disposed of 13,540,262 acres of public lands, from which it received \$1,628,187, or about a shilling an acre. What became of these lands? Why, 5,106,015 acres went to railroad companies, to form their capital stock; and that, not by the action of one party, but of all parties. I am glad that I never voted for such grants. By the natural operation of business, all these lands go into the hands of non-residents, of foreigners, who furnish railroad iron on the security of these lands. We granted as swamp lands 1,530,966 acres, and in bounty land warrants 2,941,700 acres. The receipts paid into the Land Office were but \$1,628,187, while the expenses of the land offices, of clerks, registers, and receivers, land surveys, etc., amounted to \$1,310,758; so that the net proceeds of the revenue from public lands was but \$300,000.

I trust, therefore, that the idea of looking to the public lands as a source of revenue will be at once abandoned. Let us, by a wise system of preemption laws, or by a homestead bill, invite every man who desires to locate on Western lands, to go there and make for himself a home. That is the only honest, the only noble, the only manly system of disposing of the public lands. There is no reason in the world why Western settlers should pay the Government for the lands they occupy. They were of no value to the Government or anybody else while they lay there uncultivated. It is the labor of the hardy men of the Western States that gives to these lands all their value; and yet they have paid millions on millions for the public lands. The history of each new State, for the first ten years of its existence, has been a struggle with poverty and debt. All the new States are laden down with debts contracted in paying for the public lands, either to the Government or speculators. It is idle to look to the public lands as a source of revenue.

To show you how so distinguished a gentleman as the Secretary of the Treasury may make mistakes in these matters, I have here a table which presents this curious state of facts. Mr. Secretary Cobb estimated the receipts from public lands in 1858 at \$6,000,000. They turned out to be \$3,513,715; and the great bulk of that was paid for expenses. In 1859 he estimated the receipts from public lands at \$5,000,000. They

turned out to be \$1,756,687. In 1860 he estimated them first at \$5,000,000, and afterward at \$2,500,000. They have realized and will realize less than \$2,000,000. He estimates the receipts from the sales of public lands in 1861 at \$4,000,000. In my judgment they will not reach \$500,000, because I hope this Congress will pass a preëmption and homestead law, and that will settle the question of the public lands.

The miscellaneous items found in the estimates are merely receipts from consuls, fines, forfeitures, and matters of that kind, which amount to about \$1,000,000. The only practical source of revenue for the National Government is duties on imports, and this is ample and exclusive. No country in the world has a finer source of revenue than this. We import \$400,000,000 worth of foreign products annually. A duty of ten per cent. on that would amount to \$40,000,000. It was the boast of an English Chancellor of the Exchequer that an income tax of a shilling in the pound would produce £10,000,000. A duty of ten per cent. on our imports would, at the present rate of importation, produce \$40,000,000; and importations are constantly increasing. All our internal governments—State, municipal, town, and village—are supported by direct taxation; but the National Government, which protects us all alike, looks naturally to the duties on imports for revenue. If required, we might raise a revenue from this source of \$100,000,000. If a tax of twenty-five per cent. were imposed on importations, it would produce that sum. I trust such a tax will not be imposed, because it is unnecessary. But I speak of it as an ample source of income. If the Government were reduced to narrow straits, if we were engaged in war, or if anything occurred requiring a great drain on our resources, we could raise that amount of money from that source of revenue alone, without resorting to direct taxation.

Gentlemen talk about free trade. Sir, no project for free trade has ever been submitted to us with a hope of passage. I believe that, if a project for free trade were to be carried through Congress, it would lose every member who voted for it his seat in the House. Why, sir, the people of this country would not allow the raising of \$10,000,000 by direct taxation. If you were to put upon the State of Ohio a direct tax of \$1,000,000, the people of that State might become almost as bad as the people of some of the Southern States now are—they would almost be in favor of secession. The only questions for us to consider in this connection are, how much revenue is to be raised, and how shall we levy it? I say that it is necessary for us to raise \$65,000,000. Will the present tariff furnish that amount of revenue? Every man answers "No." The Secretary of the Treasury estimates that the tariff of 1857 will yield \$60,000,000 for the next fiscal year. Why, sir, to produce a revenue of \$60,000,000 a year, under the tariff of 1857, it will require an importation of \$448,641,000. If the prophecy of the Secretary of the Treasury should turn out to be true, it would bring about a commercial revulsion. To establish or continue a tariff which would induce an importation of \$500,000,000, would be to destroy the manufactures of the country. It would limit our industrial and producing power to agriculture alone, when every one knows that diversity of pursuits is essential to the prosperity of a people.

To import the amount of \$448,000,000 annually, with a population of thirty million inhabitants, would give an importation of about \$15 per head, or \$75 per family, throughout the United States. Now, the highest rates of import we have ever had prior to the tariff of 1857 were in 1836, when importations reached the amount of \$10.93 per head; and in 1857, when they reached \$11.82 per head; and it is a remarkable fact that the importations of these two years preceded the greatest commercial revulsions of our time. It took ten years of economy and industry to recover from the troubles of 1836. And now, Mr. Chairman, if, by the financial policy of the Secretary of the Treasury, an importation of \$15 per head is produced; what will be the effect of it? All experience teaches that no people can afford to pay for foreign productions \$15 per head, or \$75 per family!

Four hundred and fifty millions! When gentlemen add to this amount freight, insurance, the loss by false invoices, by forgery and perjury—and I tell them that under our present *ad valorem* system there is a great deal of both—when, in addition, you take into computation the debt due in this country to Europe, by States, cities, counties, and railroad companies, amounting to some \$500,000,000, upon which they are paying an interest of about seven per cent., you will have an amount of specie, or its equivalent, going out of the country, of something like \$550,000,000—enough to bring the country to the verge of bankruptcy. Therefore it is that I say that, if the prophecy of the Secretary of the Treasury should turn out to be true, it would prove a national misfortune, second only to his practice of living upon the public credit.

The commercial disaster and revulsion in England and Europe in 1857 appear to a very considerable extent to have been caused by the wars then being carried on. There were, however, many causes which I do not propose now to go into a discussion of. Our own commercial revulsion occurred first, when our people were in the midst of profound peace.

Mr. Chairman, if I have succeeded in what I have desired, I have shown that the tariff of 1857 will not produce a sufficient revenue to meet the wants of the Government. Will the tariff measure now presented to us—that reported from the Committee of Ways and Means—prove sufficient for that purpose? In my judgment, it will. I do not approve all the details of that bill; but, in my opinion, if it shall become a law, it will prove the best considered tariff that has ever been presented to the Congress of the United States. It is the result of two or three years' deliberation by two committees; and, as finally agreed on, it is based upon the experience of the country for the last fifty or sixty years. It changes substantially the tariff of 1857, by the substitution, as far as practicable, of specific for *ad valorem* duties; and that change is in accordance with the views and wishes of the President, though not in accordance with those of the Secretary of the Treasury. By this change, frauds upon the revenue of the Government will in a great measure be guarded against. Why, sir, when in Europe last summer, I heard alleged frauds upon our revenue frequently spoken of, and generally admitted. In some cases the grossest frauds are prac-

ticed by importations by foreign firms to the same firms under other names in this country. The French returns of exportations to this country show a large excess over our own returns. Nearly every French and English house has agents here, to whom they send consignments of goods, purporting to have been sold at specified rates, upon which *ad valorem* duties are paid; but, as soon as they go into the ordinary commerce of the country, the prices are very much enhanced. With specific duties equal to the average *ad valorem* rates, the revenues of the Government would be increased ten per cent. beyond those now received, simply by the suppression of fraud.

As nearly as I can ascertain, I think the bill will be likely to produce about \$65,000,000 of revenue. I cannot, of course, tell precisely, since the Secretary of the Treasury did not come within \$15,000,000 or \$20,000,000. In 1858 the Secretary of the Treasury estimated that the receipts from customs would be \$60,000,000, when we realized but \$38,671,242. In 1859 he estimated that the receipts would be \$69,500,000, when they were in reality but \$48,869,879, showing a discrepancy of only \$20,000,000. For 1860 the Secretary has approached near the mark. For the current fiscal year he estimated that the revenue would be \$56,000,000. We cannot tell what it will be, but I judge that it will reach \$54,000,000. I cannot say exactly, because the last quarter's return cannot yet be known.

From the nature of things, neither Mr. Secretary Cobb nor any other Secretary can, under a system of *ad valorem* duties, come within millions of the actual receipts. An English Chancellor of the Exchequer would consider himself disgraced if he did not estimate within £500,000 of the revenue, because there the duties are specific, except, I believe, about £188,000, which is the extent of the *ad valorem* duties. It is the very nature of *ad valorem* duties that they are uncertain, and they can never be estimated by any Secretary of the Treasury, however intelligent. Therefore it is, I say, that the present bill is of great importance. It prevents fraudulent valuation. It gives our own importers a fair chance to import goods and to compete with the foreigner. Nearly all the goods imported into our country are by foreigners. The working details of this bill are an improvement on the tariff bill of 1857. It is more certain. It is more definite. It gives specific duties. The tariff of 1857 is made up of complex and inconvenient tables. The number of tables is too great; and in some cases the same article is in two tables. Thus flaxseed comes with a duty of ten per cent.; and yet linseed, the same thing, yielding the same product, the same oil, is admitted duty free.

This bill, on the other hand, fixes three *ad valorem* tables, one at ten per cent., one at twenty, and the other at thirty. There are a number of specific duties, and then there is the free list. It conforms to our decimal currency; and the duties under it are easily calculated. There can be but little dispute about home and foreign valuation under it. It will yield a revenue sufficient to pay the expenses of the Government. For these reasons, it is obvious it ought to receive the sanction of law.

I might rest with the reasons already assigned, but there is another

reason why I desire to have this bill passed, and that is, because it is framed upon the idea that it is the duty of the Government, in imposing taxes, to do as little injury to the industry of the country as possible; that they are to be levied so as to extend a reasonable protection to all branches of American industry. Every President of the United States, from Washington to this time, has recognized that principle, including Mr. Buchanan. I admit that, as a general rule, duties operate to a greater or less degree as a tax upon the people; and when the duty is levied upon articles we cannot produce, the people have, directly or indirectly, to pay that tax. But, sir, in levying that tax, you may so proceed as to make it oppressive. You may make a tariff to raise the sum of \$40,000,000, and break up every industrial interest of the country. The Committee of Ways and Means report a tariff which will produce \$65,000,000, and will do no injury to any industrial interest. I believe that it will give a reasonably fair protection to the great interests of agriculture, manufacture, and commerce, which lie at the basis of the prosperity of the country.

Mr. Chairman, there is no reason why this bill should be considered a party measure. It is not, and it should not be so considered. The present tariff, from the circumstances attending its passage, cannot fairly be charged to any party exclusively. It was based upon a state of facts that in six months passed away. At that time, March 3, 1857, most vacant lots in Iowa were worth about \$1,000 each. If a man inquired about the lot, the owner would raise the price to \$1,500, and if two men inquired about it, he would raise it to \$5,000. At that time everything was inflated, North, South, East, and West.

In six months the bubble burst. In 1857, when the tariff law was passed, it was believed it would produce a revenue sufficient for the Government. The average duty which has been realized upon all articles, including the free list, is fourteen and four tenths per cent., while the gentlemen who passed the act believed that the average duty would be about twenty per cent.; so that it turned out that the average duty paid did not amount to three fourths of what was expected. The tariff has involved us in a large debt. And yet the Secretary of the Treasury, and gentlemen on the other side of the House, do not seem to be willing that a sufficient amount of money shall be raised for Government purposes by wise and well-considered legislation. It is strange that an Administration that has run the Government into debt at the rate of \$17,000,000 a year should resist an increase of revenue, at least to the extent of meeting the expenses of the Government. It will go out on the 4th of March next, having loaded down its successor with a debt of \$50,000,000 or \$60,000,000, without passing a single law in the interest of the people; without providing revenue to meet the expenses of the Government, with a general load of discredit, almost, if not entirely, without precedent in our history.

[The bill passed the House, but the Senate postponed its consideration until the next session.]

The bill passed the House, but the Senate postponed its consideration until the next session.

## ON THE ISSUE OF TREASURY NOTES.

*HOUSE OF REPRESENTATIVES, DECEMBER 10, 1860.*

AUTHORITY to convert the Treasury notes of 1857 into bonds having fifteen years to run was given by an act approved June 22, 1860; and Congress adjourned its session without taking any steps to strengthen the Treasury either by loans, increase of taxation, or reduction of expenses.

On the 3d of the following December the second session of this Congress convened. By the election of Mr. Lincoln to the Presidency the country had been thrown into an intense excitement, and political tumult was already swelling throughout the South.

On the 4th Mr. Buchanan transmitted to Congress his last message, in which he declared that, while Congress possessed many means of preserving the Union by conciliation, the sword was not placed in their hand to preserve it by force. Accompanying this message was the report of Secretary Cobb, showing the debt on June 30, 1860, to be \$64,769,703, and a balance in the Treasury of only \$3,629,206.

On the 10th Mr. Cobb resigned as Secretary of the Treasury—"his duty to Georgia required it"; and on the 12th Philip F. Thomas of Maryland was appointed his successor.

Since the beginning of the fiscal year the current receipts had been less than the expenditures, and, while the small balance in the Treasury was diminishing, there still remained unpaid appropriations to the amount of more than \$10,000,000. In this condition of affairs, Mr. Sherman, on the 10th, reported from the Committee of Ways and Means a bill authorizing an issue of Treasury notes, not to exceed at any time the amount of \$10,000,000, and, upon reporting the bill to the House, made this speech:

**MR. SPEAKER:** It is not my purpose to engage in this debate, but it is necessary to pass to-day a Treasury-note bill in order to relieve the pressing necessities of the Government. I hope, therefore, that, without objection, we may put upon its passage a bill for that purpose which I am instructed to report from the Committee of Ways and Means.

The House will perceive that the bill now before us is a mere temporary expedient to provide for the pressing demands upon the Treasury. Most of the members are aware that the Government has not been able to pay, for the last week or two, our own salaries, and many other demands at New York and other places. The revenues have fallen short during the last week, amounting, I believe, to but \$250,000. Most of the revenues are now paid in Treasury notes. This bill only provides a mode of paying outstanding Treasury notes, the amount of which now outstanding is indeed in excess of the amount proposed to be authorized; so that the bill provides for no increase of the public debt.

I might here rest what I have to say about the bill; but it is proper

for me to add that it will be necessary for the House very soon and promptly to consider some other measures of relief. On the 1st of July last there was in the Treasury \$3,629,206, a balance entirely too small to carry on the ordinary operations of the Treasury. During the first quarter of the fiscal year the expenditures exceeded the receipts some two hundred thousand dollars, and there are now unpaid appropriations to the amount of ten or fifteen millions.

The receipts during the current quarter will probably fall short several millions of the necessary expenditures; and if we are to judge from the temper of the times, the distress in the country, and the political difficulties that surround us, it is probable that during the remaining three quarters of this fiscal year there will be a deficiency of from ten to fifteen million dollars. This is not the fault of this House, but it is the fault of our revenue laws. For the last three years we have been living upon the credit of the Government. I have a paper before me showing that since the 1st of July, 1857, we have gone into debt to the extent of nearly fifty million dollars. In the fiscal year ending 30th June, 1858, the deficiency, or excess of payments over revenue, amounted to \$27,162,188. In the next fiscal year it amounted to \$15,902,932. During the last fiscal year it amounted to the sum of \$6,725,000; and, according to the statement already made, during the present fiscal year the deficiency has been not less than from fifteen to twenty million dollars.

I have prepared a statement which shows at a glance the changed condition of the state of our finances in three years.

On the 1st day of July, 1857, the entire debt of Government, after deducting the balance then in the Treasury, was \$11,350,272.63, as follows:

Public debt.....	\$29,060,386 90
Balance in Treasury.....	17,710,114 27
	<hr/>
	\$11,350,272 63

On the 1st day of July, 1858, the amount of the entire funded debt was....

Treasury notes.....	\$25,155,977 66
	19,754,800 00
	<hr/>
Total debt.....	\$44,910,777 66
Balance in Treasury.....	6,398,316 10
	<hr/>
	\$38,512,461 56

On the 1st day of July, 1859, the amount of the entire funded debt was....

Treasury notes.....	\$43,601,037 69
	15,153,661 64
	<hr/>
Total debt.....	\$58,754,669 33
Balance in Treasury.....	4,339,275 54
	<hr/>
	\$54,415,393 79

On the 1st day of July, 1860, the amount of the entire funded debt was....

Treasury notes.....	\$45,079,203 00
	19,690,500 00
	<hr/>
Total debt.....	\$64,769,703 00
Balance in Treasury.....	3,629,206 00
	<hr/>
	\$61,140,497 00

It is manifest, therefore, that the House, in order to preserve the

credit of the Government, ought to make some change in the revenue laws, or decrease the expenditures. We must either, by a bold stroke, reduce the expenditure to fifteen or twenty million dollars or contract new loans or raise new revenues. The bill now pending in the Senate, I need not inform the members of the House, authorizes a loan of some twenty millions, and in addition to that provides for increasing the revenue. If that bill should pass, and the present disturbed political condition of the country should be healed, the annual revenue would amply cover our expenditures upon the basis of existing laws and salaries; but with the present difficulties, and with our present revenue laws, it is manifest that this bill will not be the last loan bill or the last Treasury-note bill that the Committee of Ways and Means will have to report to the House. The provisions of the bill are similar to those of the act of 1857. It simply authorizes a temporary loan, and provides that that part of the loan authorized by the act of the 22d of June last not already contracted for shall be applied to the redemption of outstanding Treasury notes. This is all the statement that I desire to make.

The bill, after some modification, became the act of December 17, 1860, and the Secretary immediately advertised the loan. Of the amount authorized, bids were received for \$10,010,000, at par, with interest from six to twelve per cent. per annum. Additional offers were received at interest varying from fifteen to thirty-six per cent., but were refused.

#### LETTER OF JOHN A. DIX.

CONDITION OF THE TREASURY, JANUARY 18, 1861.

On the 2d of January, 1861, Mr. Sherman addressed inquiries to the Secretary of the Treasury concerning the debt, and also the condition and resources of the Treasury. On the 11th Secretary Thomas resigned, differing from the President and the members of the cabinet, especially in reference to the authority to enforce the collection of customs at the port of Charleston; and on the same day John A. Dix of New York was appointed his successor. On the 14th Mr. Sherman called his attention to the unanswered inquiries, and on the 18th the following reply was made.

TREASURY DEPARTMENT, *January 18, 1861.*

SIR: I have the honor to acknowledge your letter of the 14th instant, asking my attention to the letter of the 2d instant to my predecessor; and beg leave to answer its several points of inquiry in their order.

“What amount of accounts, debts, or claims against the Government has been allowed and passed by the proper accounting officers, which remain unpaid?”

In reply to this inquiry, I beg leave to state that, except sundry small claims presented and settled through the Department of the Interior, amounting to \$33,152.94, and certain claims presented and allowed through this department, amounting to \$82,163.54, all claims duly allowed and passed by the proper accounting officers have been satisfied by warrants on the Treasurer; and that officer has remitted his drafts on the various depositories to pay the same. Within the last few days the amount of over-due Treasury notes presented for redemption has exceeded the power of the Treasurer to place drafts in payment on the Assistant-Treasurer



at New York, where the holders desired the remittances to be made; and an accumulation of warrants, to the amount of about \$430,000, has occurred on this account in the Treasurer's hands, which he has been unable to pay.

"What amount of salaries, compensation and other dues, not embraced in the foregoing, which are due and payable on or before the 1st day of January, 1861?"

In reply to this inquiry, I beg leave to state that for all the salaries paid directly from the Treasury warrants have been drawn on the Treasury and drafts remitted accordingly. But it is proper to suggest that officers and soldiers of the army, officers, seamen, and marines in the navy, and a large portion of the persons employed in the civil offices of the United States, are not paid directly from the Treasury, but through disbursing officers, to whom money is advanced from time to time for that purpose, as well as for other authorized charges, upon the requisition of the proper Department. Requisitions from the Secretary of War in favor of disbursing officers of that Department, amounting to \$912,905.90; from the Secretary of the Navy, in favor of disbursing officers of that Department, amounting to \$615,487.21; from the Secretary of the Interior, in favor of disbursing officers of that Department, amounting to \$124,866.87; and from the proper authorities of the Treasury Department, amounting to \$255,435.07, in favor of disbursing officers and contractors; making an aggregate of \$1,908,695.05, for which warrants have not been issued.

The periods when the sums thus called for were actually due and payable can only be ascertained by special investigation into the several cases; but it is supposed that the whole amount was due on or before the 1st instant. Beside these requisitions received by this Department, it is understood that the War and Navy Departments have calls for large amounts for which their requisitions have been delayed on account of the exhausted condition of the Treasury.

Besides these claims, the bounties payable by law to vessels employed in the cod fishery during the last season were due and payable on the 31st ultimo. Detailed estimates of these bounties, so far as proofs have been presented to the collectors of the several districts, have been received, showing the amount due and payable on that day to have been \$447,201.89. This Department has been unable to make any provision for paying these bounties, for want of sufficient money in the Treasury. Adding this sum to the foregoing, the aggregate of sums due and payable on or before the 1st instant may be taken to be \$2,355,896.94.

"The facts connected with the negotiation of the recent sale of Treasury notes, and how the proceeds thereof were applied?"

In answer to this inquiry, I have the honor to state that, under the notice issued on the 18th ultimo, inviting proposals for the exchange of five millions of dollars for Treasury notes, offers at twelve per cent. interest or less were made only to the amount of \$1,831,000. Offers to exchange \$465,000, for notes bearing interest at rates ranging from fifteen to thirty-six per cent., were also received.

The offers at twelve per cent. and less were accepted; those above that rate were rejected.

Previously to the issue of the notice, the Assistant Treasurer at New York was informed that the exchange of five millions was the smallest amount that would enable the Department to protect the public credit by the redemption of Treasury notes falling due and paying interest on the 1st of January, 1861, on the stocks of the United States. From the preliminary deposits of one per cent. made with him, under the terms of the notice, that officer became aware that not one half of the sum required had been offered in New York; and he probably endeavored to induce the banks and capitalists of that city to exchange the residue of the sum called for at twelve per cent. interest, which was the rate at which the bulk of the offers had been made.

Immediately after the decision of the Department on those offers had been made, that officer advised the Department that certain parties would take the residue, through the Bank of Commerce, at twelve per cent. This proposition was accepted, on condition that the amount required to make up the five millions should be deposited without delay. The whole amount has been applied to the payment of over-due Treasury notes and other pressing demands on the Treasury.

Presuming that you desired only the material facts of this negotiation, I have not sent the correspondence in regard to the offers for Treasury notes, or an ex-

hibit in detail of the receipts and payments by the Assistant Treasurer at New York, from the 28th ultimo, when the proposals for the Treasury notes were awarded. Should these particulars be desired, they will be cheerfully furnished.

Your letter further asks "whether any defalcation of either of the present depositories of public money is known to the Department?"

In answer to this inquiry, I have the honor to state that, so far as is known to this Department, the depositories have promptly paid the Treasurer's drafts on them, and no defalcation or refusal of the present depositories has been reported.

"The receipts of the Government from all sources, from the date of the last annual report of the Secretary of the Treasury up to January 1, 1861, so far as known to the Department?"

I beg leave to suggest that the date up to which the receipts into the Treasury are given in the last annual report of this Department was the 30th of September last, being the close of the first quarter of the current fiscal year.

The aggregate receipts from all sources, during the quarter from October 1 to December 31, 1860, so far as returns have been received, appears, by the Treasurer's exhibit of current receipts, to have been \$17,181,783.93.

"What amount of means, in addition to the Treasury notes authorized by law and the current revenue, will be required to pay outstanding current and accruing dues before the close of the current fiscal year?"

The first element for an answer to this inquiry is the amount required to be paid for carrying on the public service during the remainder of the current fiscal year. To ascertain this amount, we must refer to the estimated expenditures for the various branches of the public service during the three quarters of the fiscal year from October 1, 1860, to June 30, 1861, as stated in the last annual report of this Department. They will be found on page 3, and are \$46,935,232.58. From this sum deduct the amount expended during the quarter ending December 31, 1860, which, by the Register's statement, is, exclusive of Treasury notes, \$12,069,107.95, leaving the sum of \$34,866,124.63 to be provided for, besides the Treasury notes maturing on and before June 30, 1861: which, on the 1st day of January, 1861, amounted to \$11,795,600, making the amount required to be paid from January 1 to June 30, 1861, \$46,661,724.63.

Of these outstanding Treasury notes there have been redeemed, between the 1st and 14th of January instant, \$2,584,200, reducing the current liabilities of the Treasury to that extent.

The amount required, therefore, to meet the outstanding current and accruing dues before the close of the current fiscal year, besides any additional charges on the Treasury created by legislation during the present session of Congress, is \$44,077,524.63.

The existing means for meeting this amount are :

1. The balance of the loan of \$21,000,000 authorized by act of June 22, 1860, for redeeming Treasury notes. Of this loan \$7,022,000 only has been negotiated and paid into the Treasury, leaving \$13,978,000 to be realized from that source. Should the present disturbed condition of the country continue, some modification of the terms prescribed by the act may possibly be necessary to make the residue of this loan available.

It may not be improper to add that when the estimates before referred to were submitted, no difficulty was apprehended in meeting the outstanding Treasury notes, as fast as they fell due, by the proceeds of this loan. As this resource has failed, to the extent of the above stated balance of \$13,978,000, to preserve the credit of the United States, it has become indispensable to pay these notes out of the revenue from other sources. During the last quarter about eight millions of Treasury notes were redeemed; which, with the two and a half millions redeemed since the 1st instant, make ten and a half millions. The amount received from the loan, being a small fraction above seven millions, threw upward of three and a half millions of these notes on the other resources of the Treasury for redemption. This is one of the principal causes of the delay and difficulty which have recently existed in providing for other demands of the public service.

2. Receipts from the ordinary sources of revenue. The Annual Report of this Department estimated the receipts from customs during the three quarters of the current fiscal year from October 1, 1860, to June 30, 1861, at \$40,000,000.

Probably, in view of the great abundance of exportable products, had the affairs of the country continued in their usual condition, this estimate would have been realized. In October last the prospect justified very liberal estimates of the consumption of dutiable merchandise. Since that time so sudden and great a change has occurred in the financial, commercial, and political relations of the several States as to render any well-grounded estimate of the amount of dutiable merchandise which will be entered for consumption before the 30th of June, 1861, entirely impracticable. Although the amount of merchandise entered for consumption will for long periods of time be governed by permanent causes, it may for short periods depend almost entirely on public confidence, which fluctuates with every disturbance of the ordinary political or commercial condition of the country. This has been strikingly exemplified in the revenue from customs during the quarter ending December 31, 1860. Instead of amounting to fifteen millions, as was reasonably and confidently expected in October, the returns, so far as received, indicate that it fell below eight millions. At the port of New York alone more than six millions of the merchandise imported during the single month of December, instead of being entered for consumption, were placed in warehouse, and nothing was realized upon them to the Treasury.

So greatly is the amount of our customs revenue dependent on political and monetary changes, on which at the present time no reliable calculation can be made, that the receipts from this source during the remainder of the fiscal year must be, so far as regards this department, the subject of conjecture. At present, from all the light that I am able to obtain, it would seem that sixteen millions will be a liberal estimate for the revenue from customs between January 1 and June 30, 1861. This, with the amount received from that source during the quarter ending December 31, 1860, will make more than one half the aggregate receipts estimated in the annual report.

The receipts from the public lands for the three quarters from October 1, 1860, to June 30, 1861, were estimated in the Annual Report at \$2,250,000. So far as returns have been received for the quarter ending December 31, 1860, the amount realized from that source appears to have been about \$250,000. Should no change be made during the present session of Congress in the existing laws in regard to acquiring public lands by individuals, the amount that may be expected from that source may, between January 1 and June 30, 1861, reach \$1,000,000. This would be one half of the amount estimated in the Annual Report, and at this time will probably be regarded as a large estimate from that source, and to be realized only under favorable circumstances.

The receipts from miscellaneous sources for the three quarters between October 1, 1860, and June 30, 1861, were estimated in the Annual Report at \$750,000. For the quarter ending 31st ultimo, these receipts fell short of \$200,000, and cannot be expected to realize more than \$400,000 during the remainder of the current fiscal year to June 30, 1861.

Under the views herein set forth, the aggregate receipts from ordinary sources of revenue, during the half year from January 1 to June 30, 1861, may be thus stated :

From customs.....	\$16,000,000 00
From public lands.....	1,000,000 00
From miscellaneous sources.....	400,000 00
	<hr/>
	\$17,400,000 00
Adding to these the balance of Treasury notes, authorized by Act of December 17, 1860.....	5,000,000 00
	<hr/>
Makes the amount of means for the half year.....	\$22,400,000 00
The estimated demands on the Treasury, under existing laws, during the half year, as before stated, including the redemption of \$9,211,400 of Treasury notes, is.....	44,077,524 63
	<hr/>
Showing the amount required, in addition to the five millions of Treasury notes and the current revenue, to pay outstanding, current and accruing dues before the close of the current fiscal year, to be.....	\$21,677,524 63

This amount may be reduced to \$7,689,524.63, if the balance of the loan authorized by act of June 22, 1860, being \$13,978,000, should be made available to the Treasury.

Allow me to state that the materials of this letter were prepared under the direction of my predecessor; and the presentation of them to you in their present form is among my first official acts.

Before closing this communication, I wish to call your attention to the fact that there are deposited with twenty-six of the States, for safe keeping, over twenty-eight millions of dollars belonging to the United States, for the repayment of which the faith of these States is pledged by written instruments on file in this Department.

The annual statements of receipts and expenditures for the year ending June 30, 1860, represents this amount as a part of the "balance in the Treasury" on that day. It was subject when deposited to the draft of the Secretary of the Treasury, whenever required "for the purpose of defraying any wants of the public treasury," as will be seen by the 13th section of the act of June 23, 1836, entitled, "An Act to regulate the deposits of the public money;" but by the act of Oct. 2, 1837, chap. I., the deposit remains with these States "until otherwise directed by Congress."

I refer to this financial resource as an available one, should the public exigencies demand it. It is not doubted that the greater portion of the amount so deposited would be promptly and cheerfully repaid, should an exigency arise involving the public honor or safety. If, instead of calling for these deposits, it should be deemed advisable to pledge them for the repayment of any money the Government might find it necessary to borrow, a loan contracted on such a basis of security, superadding to the pledged faith of the United States that of the individual States, could hardly fail to be acceptable to capitalists.

I have the honor to be

Your obedient servant,

JOHN A. DIX.

Secretary of Treasury.

HON. JOHN SHERMAN, Chairman Committee of Ways and Means,  
House of Representatives.

## ON THE LOAN OF TWENTY-FIVE MILLION DOLLARS.

*IN THE HOUSE OF REPRESENTATIVES, FEBRUARY 2, 1861.*

ON the 2d of February Mr. Sherman introduced a bill authorizing a loan of \$25,000,000, to pay ordinary expenses and to redeem Treasury notes, the stock to bear interest not to exceed six per cent. per annum, and to be redeemed in not less than ten nor more than twenty years. The bill coming before the House for consideration, February 2, 1861, Mr. Phelps spoke briefly in opposition to it, and Mr. Sherman replied as follows:

MR. SPEAKER: I am somewhat surprised that my friend from Missouri should oppose a measure intended to pay off the existing debts made by this Administration. I have here a communication from the Secretary of the Treasury, stating that there will be an actual deficit in the revenue of \$21,677,524; the deficiency bill appropriates between two and three million dollars; so that there is an admitted deficiency of about \$24,000,000 to be now provided for. The amount in the Treasury on the first day of January was \$2,233,220, while it requires at least \$5,000,000 in the Treasury to carry on the daily operations

of the Treasury Department. So that a deficiency of not less than \$25,000,000 exists, now to be provided for by loan. Now, Mr. Speaker, under these circumstances, while the Opposition side of the House brings forward a bill to place in the power of the Secretary of the Treasury money to pay off all the existing liabilities, it seems strange to me that any opposition should come from the other side of the House. All of this money will be required to pay off existing liabilities. By the law of the 22d of June last, we authorized a loan of \$20,000,000. A portion of that loan was taken. The balance could not be sold under the terms of the law. In last December, at the pressing instance of Mr. Secretary Cobb, we authorized the issue of \$10,000,000 Treasury notes, with the specific pledge of the balance of the loan of June 22d for the redemption of these Treasury notes. And now it is proposed to take that loan, thus specifically pledged for the redemption of these notes, and apply it to the current expenses of the Government. I say that it would be a violation of the public faith for this Congress to pass the law now proposed by the gentleman from Missouri. The moneyed men of New York would say the credit of the Government had been violated, because, when they took the Treasury notes under the law of December last, it was with a specific pledge, with a mortgage in fact, upon the loan of the 22d June last, for their redemption.

The public lands were pledged for the redemption of a very small portion of the public debt, and nearly all that to which it applied has been paid off. But here is a specific pledge, made only a little more than a month ago, that the balance of the loan of June last should be applied to the redemption of these Treasury notes; and now it is suggested that we take the loan thus set aside for a particular purpose and apply it to the ordinary current expenses of the Government.

Why, Mr. Speaker, the plain English of this matter is, that there is \$25,000,000 of debts due, and no money, no revenues, to pay them with. We have got to resort to the credit of the Government. I suppose the \$25,000,000 provided for in this bill will be sufficient to settle up the accounts of this Administration.

The tariff bill, if it becomes a law, will probably not take effect until July next, when it will become necessary to provide by law for a deficiency that will accrue in the next fiscal year. That tariff bill will probably contain a provision for a temporary loan, necessary to meet the deficiencies for the next fiscal year. This loan bill is for a present deficiency, and therefore its necessity will not be obviated even if the tariff bill becomes a law.

If the tariff bill provides a revenue sufficient to meet the current expenses of the Government, it will not become necessary to negotiate the loan provided in it. I certainly hope that the tariff bill will produce a revenue sufficient to meet all the expenses of the Government. If so, the loan bill which accompanies that law will lapse, and that will be the end of it. The ordinary revenues of the Government should always be sufficient to meet its expenses, except in time of war. For the last three years, and during every session, the Chairman of the Committee of Ways and Means has been compelled to come in here

with a loan bill, to supply the deficiencies in the revenues of the Government for current expenses. I trust such an event may never occur again in a time of peace. But it is necessary now that we should make provision to pay off existing liabilities.

Whether these liabilities have accrued through maladministration of the Government, or through other causes, no man can doubt our obligation to make provision for paying them. And here let me say a word to my friends on this side of the House. I ask them, when we are compelled to come in here with loan bill after loan bill to enable the Government to meet its expenses, if it is not time to pause in the appropriations we are making: certainly those made for the benefit of moonshine speculations, for rights within the jurisdiction of a foreign Government?

I now move the previous question upon this bill.

The motion was seconded, and the bill passed the House. In the Senate an amendment was added providing for the repeal of the loan act of June 22, 1860. On the concurrence of the House in this amendment Mr. Sherman said:

MR. SPEAKER: I hope the amendment of the Senate will not be concurred in; and if I can have the attention of the House for two minutes, I think I can give ample reasons why it should not be concurred in.

This seems to be to some extent a party measure, an attempt to throw upon the incoming Administration all the indebtedness incurred by this, if possible. Now, all I ask is, that this Administration shall pay off its own debts, or provide for the payment of them, and not throw them over upon the incoming Administration. I do believe that, under the tariff act now pending in the other branch of Congress, if it becomes a law, the revenues of this Government will be sufficient to meet the expenses under the incoming Administration. I believe that it is the duty of that Administration to reduce the expenses of the Government to the standard of the revenues of the Government. Now, what is the condition of the Treasury at this time? The Secretary of the Treasury says he shall need a loan of \$25,000,000 to meet the expenses of the Government up to the 1st of July next. This bill provides a loan to that amount to pay off the debts of the present Administration up to that time. Then, in addition to that, there is another debt to pay. This Administration, in December last, issued \$10,000,000 of Treasury notes, at twelve per cent. Those notes are due next December. For the redemption of those Treasury notes the remaining portion of the loan of June last was specifically pledged. Yet it is now proposed to repeal that loan of June last, in express violation of the law of December last, in pursuance of which the faith of the Government was directly pledged to apply that loan to the redemption of Treasury notes, leaving no means for the retirement of the Treasury notes of last December. Now, that is the condition in which the matter stands. If the amendment of the Senate be concurred in, then, in December next, when the \$10,000,000 of Treasury notes become due, there will be no means provided whatever for their retirement. They will go on bearing interest at the rate of twelve

per cent., to the disgrace of the Government. No government, and indeed no individual, can afford to pay twelve per cent. interest for any length of time.

The effect of the course proposed would be to throw the burden of providing the means for the payment of these Treasury notes, when they become due, on the incoming Administration, and to leave it with the responsibility of providing the means of paying its current expenses together with \$10,000,000 of the debts of the present Administration.

But, sir, the gentleman refers to the Pacific Railroad bill. I do not know whether that bill will pass or not; but if it does pass, no money will have to be paid under it probably for years to come. No money can be paid, or liabilities incurred, until fifty miles of the road are completed.

If the tariff bill passes, I believe revenue enough will be raised under it to defray the ordinary expenses of the Government. The loan bill attached to it is only intended to provide for some unforeseen emergency. By the terms of the tariff bill, the money to be raised under it cannot be applied to a redemption of Treasury notes. On the contrary, it is specifically provided that the loan shall be devoted to the meeting of any deficiency in the current revenues of the Government. It is true that that may be changed. In the next place, if we should only give place to one loan by another, then we might reduce the loan provided in the tariff bill to \$10,000,000.

I do not anticipate any deficiency; but I do say that it is wise to provide against any contingency which may arise. The sum we have here to do is not beyond the capacity of the youngest boy in an arithmetic class. Here we have a debt of \$25,000,000, and how are we going to pay it? You have \$10,000,000 of Treasury notes, bearing twelve per cent. interest, which are due next December. How are you going to pay them? By the loan in the tariff bill? But there is already a loan bill upon our statute-books under which these Treasury notes can be withdrawn when they become due. Why, then, repeal one law, to give place to another, unless it be to show that the new Administration has borrowed \$21,000,000 to pay the liabilities of the Government? I say to you, gentlemen on the other side, pay your own liabilities, or pledge the Government credit for enough money to pay them. I hope the incoming Administration will conform its expenses to the revenues raised from the ordinary sources. If the revenues shall fall short, and be reduced to even less than the amount now realized, it will be the duty of the incoming Administration to reduce the expenses to that extent.

Now, Mr. Speaker, I do hope gentlemen on both sides of the House will permit us to make provision for paying the debts of the present Administration, and not saddle those debts upon the incoming Administration. I repeat that the \$25,000,000 loan provided for in this bill is required to pay the debts of the Government up to July next; and that if this amendment of the Senate is concurred in, there will still remain the sum of \$10,000,000 of outstanding Treasury notes for which no provision will have been made. We ask for nothing more than that this Administration should make provision for the settlement of

its own accounts; and it seems to me that nothing less than that should be granted.

The bill became a law February 8, 1861, and the session closed on the 3d of the following month. Of this loan, bearing six per cent. interest and having twenty years to run, the Secretary sold as soon as possible \$18,415,000 at the rate of 89.10 per \$100.

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## ISSUE OF UNITED STATES NOTES.

*IN THE SENATE, FEBRUARY 13, 1862.*

THE first session of the Thirty-seventh Congress convened July 3, 1861. Mr. Chase, Senator from Ohio, having been called to the Treasury by President Lincoln, Mr. Sherman succeeded him in the Senate. The first session closed August 6, 1861, and the second session convened December 2, 1861, Mr. Sherman serving upon the Finance Committee, of which Mr. Fessenden was chairman.

The Senate, as in Committee of the Whole, resumed the consideration of the bill to authorize the issue of the United States notes, and for the redemption and funding thereof, and for funding the floating debt of the United States. Mr. Sherman said :

MR. PRESIDENT: The general views of the Committee on Finance have been so ably stated by its chairman, that it will not be necessary for me to discuss the features of this bill, upon which we agree. As it came from the House it was evidently imperfect; but the amendments adopted, on the recommendation of the Committee on Finance, have so improved it as materially to change its character.

The motion of the Senator from Vermont now for the first time presents to the Senate the only question upon which the members of the Committee on Finance had any material difference of opinion, and that is, whether the notes provided for in this bill shall be made a legal tender in payment of public and private debts. Upon this point I will commence the argument where the Senator from Maine left it.

He says he is not satisfied that this provision is necessary, and until so satisfied he will not support it. He does not present the constitutional question, but doubts whether it is necessary to give these notes the sanction of a legal tender. I agree that this measure can only be justified on the ground of necessity. I do believe there is a pressing necessity that these demand notes should be made a legal tender if we want to avoid the evils of a depreciated, dishonored paper currency. I do believe we have the constitutional power to pass such a provision, and that the public safety now demands its exercise. Is there such a necessity?

In the first place, I will say, almost every recognized organ of financial opinion—if that is a correct expression—in this country agrees



that there is such a necessity in case we authorize the issue of demand notes. You commence with the Secretary of the Treasury, who has given this subject the most ample consideration. He declares not only in his official communications here, but in his private intercourse with the members of the committee, that this clause is indispensably necessary to the security and negotiability of these demand notes. We all know from his antecedents, from his peculiar opinions, that he would be probably the last man among the leading politicians of our country to yield to the necessity of substituting paper money for coin. He has examined this question in all its length and breadth. He is in a position where he feels the necessity. He is a statesman of admitted ability, and distinguished in his high position. He informs us that without this clause the attempt to circulate as money the proposed amount of demand notes of the United States will prove a fatal experiment.

In addition to his opinion we have the concurring opinion of the Chamber of Commerce of the city of New York. With almost entire unanimity they have passed a resolution on the subject after full debate and consideration. That resolution has been read by your Secretary. You have also the opinion of the Committee on Public Safety of the city of New York, composed of distinguished gentlemen, nearly all of whom are good financiers, who agree fully in the same opinion. I may say the same in regard to the Chambers of Commerce of the city of Boston and the city of Philadelphia. They have said to us in the most solemn form that this measure was indispensably necessary to maintain the credit of the Government, and to keep these notes anywhere near par. In addition, we have the deliberate judgment and vote of the House of Representatives. After a full debate, in which the constitutionality, expediency, and necessity of this measure were discussed, in which all the objections that have been made here and many more were urged, the House of Representatives, by a large vote, declared that it was necessary to issue demand notes, and that this clause was indispensable to their negotiation and credit.

Now, Mr. President, I know very well that the Senate is not governed by authority; nor should it be. As a high political body, our opinions ought not to be affected entirely by the opinions of others. But allow me to repeat what is admitted by all, that very few members of this body are familiar with financial subjects; very few of us have been called upon to study such questions; and therefore it is that, when a question of this kind is before the Senate, the opinion of men who have devoted their lives to this subject ought to be fairly considered. Upon the question of the constitutionality of this measure the opinion of the Senator from Vermont and other Senators around me is worth much more than that of commercial men; but upon the question of the necessity of this measure, to give your demand notes negotiability, security, value, in the money market, their opinion is worth more than that of any individual Senator.

But I do not intend to rest here. I desire to show the necessity of it from reason. We have to raise and pay out of the Treasury of the United States before the 1st day of July next, according to the esti-

mate of the Committee of Ways and Means, the sum of \$343,235,000. Of this sum, \$100,000,000 is now due and payable to your soldiers; to contractors; to the men who have furnished provisions and clothing for your Army; and to your officers, judges, and civil magistrates. Where will you get this money? A question of hard necessity presses you. We know very well that it cannot be obtained of the banks. They have, with a patriotic feeling not usually attributed to money corporations, which are supposed to have neither souls nor bodies, already exhausted their means. The aggregate capital of the banks of the three principal cities of the United States is but \$105,000,000, and they have taken more than their capital in the bonds of the United States. It is, therefore, idle to look to them for relief. They can lend you no more money. You must look to other sources. The men who have thus loaned you money, and enabled you to carry on the war thus far, are the very men who now beg you for this measure of financial aid. They ask this currency to enable them to assist you further in carrying on the Government. Among others, the cashier of the Bank of Commerce, the largest bank corporation in the United States, and one that has done much to sustain the Government, appeared before the Committee on Finance, and stated explicitly that the Bank of Commerce, as well as other banks of New York, could not further aid the Government unless your proposed currency was stamped by and invested with the legal form and authority of lawful money, which they could pay to others as well as receive themselves.

Another thing must be considered. We cannot get the needed sum by taxation for six months at least. We are to pay out over three hundred millions before next July with but small revenue. The Committee of Ways and Means of the House of Representatives have already been two months in framing a tax bill, and it is not yet done. It has to go through the ordeal of the House of Representatives; it has to come here, and pass through all the forms of legislation. If it should assume the form of law by the 1st day of June next, it will be as much as we can expect, so that it is useless to look to taxation for any portion of this money.

I ask you, then, Mr. President, where will you get it? You must borrow it. The most direct way would be to put your bonds, based upon the credit of the United States, in the money markets of the world, and sell them for what they will bring. This has been done by the most powerful Government in Europe. In the struggle of Great Britain with Napoleon that power sold £420,000,000 of securities for £260,000,000. She contracted a debt of £173 for every £100 received by her. It was only by such sacrifices that she was able to cope with and eventually overcome her adversary. But even such enormous sacrifices would not have produced the money needed had she not adopted a national currency of paper money—practically, if not legally, made a legal tender—and had not used this currency as a medium of exchange with which she facilitated the payment of taxes and the negotiation of loans. You are compelled by your necessities to pursue the same course. It is not claimed by any one that these demand notes will satisfy your wants. You here provide only for \$100,000,000, and have

yet large sums to provide for. After these notes are exhausted we must sell the bonds of the United States.

But suppose you put the bonds now on the market, what will they bring? It is said to us by the leading financiers of this country, whose opinions are entitled to respect, whose patriotism cannot be questioned, that these bonds, if now forced upon the market in large quantities, would be depreciated to something like sixty cents on the dollar; and why? Not because financiers do not consider them good, not because any one doubts that they will be paid eventually, but because there is no money with which to buy them. By the laws of the United States, the Secretary of the Treasury can receive nothing in payment for bonds but gold and silver coin. Where will the purchaser of your bonds get the gold and silver coin? It is now driven out of circulation. There is no such thing as gold and silver coin circulating in the country to any large amount. It is stowed away. The very moment the banks suspended in the city of New York, that moment gold and silver ceased to be the circulating medium of this country. There is not now in active circulation nearly enough gold to pay your existing debt. It is therefore clear you cannot sell your bonds for gold and silver under existing circumstances. If any man, however patriotic, desired to purchase them, he could not pay you in the only coin that you dare take, because he cannot get it. He must go to a broker first and buy the gold before he can find a medium of exchange with which he can legally pay for them.

It may be said, and I know the Senator from Rhode Island said, that there is an easy remedy for this difficulty. He would repeal the Sub-Treasury law, and receive the paper money of the banks. In other words, he would at once install as the national currency, as the standard of values, the inflated currency of all the local banks in the United States: banks over which we have no control, which we cannot regulate or govern in the slightest degree. We should have, then, the circulation of these banks substituted for gold; and what would be the effect? Suppose such paper money issued by banks in every State, by banks that would have every inducement to inflate, because they do not pretend to pay specie, were received for bonds, and paid out to our soldiers, how long would it be before we should have all the evils of an inflated currency, of an irredeemable currency of the worst character, and in the most dangerous form?

It is easy to criticise this bill. I dislike to vote for it. I prefer gold to paper money. But there is no other resort. We must have money or a fractured Government. If Senators can show me how they can raise money except in the way proposed, I will join them in denouncing paper money. I listened with great attention to the remarks made by the Senator from Vermont; but when he got through, I should have been glad to have him inform me, if we cannot issue these demand notes, what we shall do. Shall we surrender the Government? shall we refuse to pay our soldiers? shall we refuse to pay our contractors? No, Mr. President, we have agreed to pay our debts in money. The chairman of the Committee on Finance gave us a very handsome lecture, a very able discourse upon the importance of preserving the pub-

lic faith ; and he desired to impress upon us—and did impress upon me—the necessity of not affecting the obligation of contracts. We must not in any emergency, under any stress of circumstances, affect the obligation of contracts between private individuals. Did that Senator overlook the first contract, the contract between the Government and the soldier, the Government and the man who feeds and clothes your armies? We must pay the soldier in money; we must pay the contractor in money. There is a contract, an obligation between the contractor and the soldier and the Government that must be observed. The obligation of good faith rests upon us to pay every dollar that is due from us to our own creditors, as well as not to impair the obligation of contracts between others. How can we do it? I have shown that we cannot do it in gold; I have shown that we ought not to do it in the inflated paper money of the country. How else can we do it? There is no other way, except to issue to our creditor the note of the United States, in such form, with such sanctions, as will enable him to use it as money. If we can believe the testimony of others and the light of reason, the only way we can do this is by stamping it with the same national sanction as that with which we stamp our gold and silver coin.

Having thus stated the necessity of this measure, I must consider our constitutional power to pass it. The Senator from Vermont, whose opinion is certainly entitled to the highest consideration, and who supports it with an able argument, contends that this measure is unconstitutional. I confess, if I did not feel its *necessity*, I would shield myself behind his conviction and vote against it. But, sir, the more I reflect upon the subject the more I am convinced that Congress can authorize the issue of paper money, stamped as a national currency, as a medium of exchange. Such a currency is a necessary and proper means to enable the national Government to exercise its expressly delegated power to borrow money, to regulate commerce, to support armies and navies. It may be a power subject to abuse; it may be a dangerous power, only to be resorted to in extreme cases; but when I am convinced its exercise is necessary and proper to enable Congress to execute its high powers, I cannot shrink from assuming my share of the responsibility.

The Senator from Vermont has read extracts from the debates in the National Convention and from Story's "Commentaries," tending to show that Congress cannot authorize the issue of bills of credit. But I submit to him that this question has been settled by the practice of the Government. We issued such bills during the war of 1812, during the war with Mexico, and at the recent session of Congress. We receive them now for our services; we pay them to our soldiers and our creditors. These notes are payable to bearer; they pass from hand to hand as currency; they bear no interest. If the argument of that Senator is true, then all these notes are unauthorized. The Senator admits that when we owe a debt and cannot pay it, we can issue a note. But where does he find the power to issue a note in the Constitution? Where does he find the power to prescribe the terms of the note, to make it transferable, receivable for public dues? He draws all these

powers as incidents to the power to borrow money. According to his argument, when we pay a soldier a ten-dollar demand bill we borrow ten dollars from the soldier; when I apply to the Secretary of the Senate for a month's pay, I loan the United States \$250. This certainly is not the view we take of it when we receive the money. On the other hand, we recognize the fact that the Government cannot pay us in gold. We receive notes as money. The Government ought to give and has the power to give to them all the sanction, authority, and value necessary and proper to enable it to borrow money. The power to fix the standard of money, to regulate the medium of exchanges, must necessarily go with, and be incident to, the power to regulate commerce, to borrow money, to coin money, to maintain armies and navies. All these high powers are expressly prohibited to the States, and also the incidental power to emit bills of credit and to make anything but gold and silver a legal tender.

But Congress is expressly invested with all these high powers, and, to remove all doubt, is expressly authorized to use all necessary and proper means to carry these powers into effect. Congress is not prohibited from emitting bills of credit or from making a standard of value, nor are these powers expressly conferred. Congress has repeatedly issued bills of credit; it has fixed gold and silver as the standard of value, and made them a legal tender. Certainly gold and silver coin is the best standard of value, for it has inherent value in all commercial countries; but if, in the course of events, gold and silver cannot be had in quantities sufficient to form a medium of exchange for the increased wants of the country, then Congress may establish another medium of exchange—another standard of value. This was twice done by establishing a Bank of the United States. I much prefer the credit of the United States, based as it is upon all the productions and property of the United States, to the issues of any corporation, however well guarded and managed.

The Senator from Vermont says that we may issue our notes, and of course our creditor must take them; but we must not make his creditor take them—the loss must fall entirely upon our creditor. I have shown that by yielding the power to issue a note at all, and especially to issue a note payable to bearer without interest, he has yielded his constitutional argument. But, I ask, is not his proposition manifestly unjust? He will compel our immediate creditor to take the note or get nothing. It is a moral compulsion, it is true, but it is effectual. It is that or nothing. If we can compel one citizen to take this paper money, why not another and another? Is it any less the violation of contract in the one case than in another? Do not all citizens hold their property subject to our unlimited power of taxation? Do not all share in the blessings of government, and should not all share in its burdens? Shall we inflict a loss only on those who trust and labor for the Government, and relieve the selfish, avaricious, idle, unpatriotic citizen, who will neither fight for, lend to, nor aid the Government? Sir, to make all these share in the burden of the war, and to relieve those who risk life and property in its defense, I would waive a constitutional doubt.

But, sir, the Senator from Maine, as well as the Senator from Vermont, alleges that it is unjust to insert the legal-tender clause, because it will impair the obligation of contracts. He says, if a man holds my note for \$1,000, it is unjust for Congress to pass a law that will enable him to pay it with less. I confess that it would be unjust and unconstitutional for Congress to compel him to take a less sum of money. But Congress every day passes laws that affect the value of property and of money, and therefore incidentally the value of contracts. The other day the Senator from Iowa [Mr. Grimes] introduced a bill to establish a street railroad in the city of Washington. We were all in favor of it; but did any Senator dream that by doing that he was impairing the obligation of contracts? And yet we affected the value of the omnibuses that now run on the streets of Washington. Every act that you pass, almost every event in our political history now, impairs the value of property. Although it may not change the terms of a contract, Congress every day changes the value of money, the value of property.

The Senator from Tennessee [Mr. Johnson] has been distinguished for urging forward the homestead bill; and yet everybody knows that the effect of the passage of that bill would be to change largely the value of one class of property. The Senator from Iowa owns a large amount of wild land in the West. If that bill should pass, this land will be worth fifty per cent. less than it is now. He may have sold some of that land to another at high prices, but we know very well that if the homestead bill passes, it might prevent the purchaser of that land from paying for it. It might almost destroy the value of his purchase, and yet we never stop for considerations of this kind. I submit, therefore, that the argument of injustice to creditors should not defeat this measure.

On the other hand, Mr. President, I believe that if we fail to pass this bill, in the present critical condition of public affairs, we do gross injustice to our public creditors. Let us look for a moment at the practical effect of it. If you now issue to your creditors paper money which has no sanction, which every man may refuse to take, what will be the result? In every bank in the United States it will at once be rejected, not because the banks are not patriotic, but because they cannot afford to take it. I have here a letter from a banker in New York, addressed to the honorable Senator from Maine, in which the writer states:

My acquaintance with that class of men [bankers] here is quite extensive, and the view of all, almost without exception, is that it will be fatal to pass the bill without making the notes a legal tender. Views differ widely as to the expediency of this mode of meeting the present wants of the Treasury. Though I think a large majority are opposed in theory to the use by the Government of a large amount of demand notes, they are nevertheless satisfied that this is the least of several evils which threaten; but all, however differing upon the original question, unite upon this, that if we have the notes, we must have the benefit of a provision that they shall be a legal tender in payment of debts. This, I know, is the opinion of a number of persons.

He proceeds to name them, but I need not do so. He says that this is the opinion of "the leading bank men, and also of the most

earnest financiers connected with the banks." The reason is that without such provision, the banks in New York, Boston, and Philadelphia cannot take them, and they cannot take them simply because they cannot use them if they do. It is not a question of willingness or of desire to sustain the Government. They cannot pay out these notes to those who are not obliged to receive them, however they might wish to do so.

If you strike out this legal-tender clause, you do it with the knowledge that these notes will fall dead upon the money market of the world; that they will be refused by the banks; that they will be a disgraced currency, that will not pass from hand to hand; that they will have no legal sanction; that any man may decline to receive them, and thus discredit the obligations of the Government. I ask again if that is just to the men to whom you have contracted to pay debts? When you issue demand notes, and announce your purpose not to pay any more gold and silver coin, you tender to those who have furnished provisions and services this paper money. What can they do? They cannot pay their debts with it, they cannot support their families with it, without a depreciation. The whole, then, depends upon the promise of the Government to pay at some time not fixed on the face of the note, and you bring about an era of irredeemable, depreciated paper money.

Not only justice to our creditors demands this measure, but I anticipate from it very beneficial effects in regulating our currency. If you issue \$150,000,000 of Treasury notes, you then for the first time, at least since the Bank of the United States, have a national currency stamped with all the credit, with all the power of the Government of the United States. It is a national currency that cannot be abused. It is not controlled by a corporation; it is not controlled by interested parties; it is not controlled by men who desire to make money out of the circulation; but it is a national circulation, for the redemption of every dollar of which the national credit and all the property of all the people of the United States are pledged. If you issue these \$150,000,000 of currency, it will permeate this whole country; it will be the blood of the whole system; it will enable men to carry on their business and make their exchanges all over the country.

But that is not all. The circulation of this large amount of demand notes will enable capitalists to buy our bonds. If it were not for this reason, I would not vote for this bill myself. Now they cannot do it, because there is no currency in which they can pay for them. You refuse to take the circulation of the banks, and they cannot get you gold, and so cannot buy your bonds. If you give them a circulating medium, ample and not too great, well secured, sanctioned by all the power of the Government, you may then be able to reach the purse of the capitalist, you may be able to reach the stocking of the poor but patriotic citizen, you may be able to gather in from all this broad extent of country the savings of your people. But you cannot do it otherwise. As long as you have your present system, without any medium of exchange except gold and silver, you cannot reach the real capital of this country, because the people cannot pay you in that which circulates among them, and they cannot get gold and silver.

The only objection to this issue of paper money is that too much may be issued. There is the only danger in it. I do not believe the issue of \$150,000,000 will do any harm; but if you continue to issue other sums, you will at once depreciate the credit of these demand notes and destroy their value. If you confine it to the amount limited by this bill, I believe the effect will be healthy in all the business relations of the country.

After all, Mr. President, this is a mere temporary expedient. It is manifest that we must rely upon some other source of obtaining money. We dare not repeat this experiment a second time. If we do, we enter on the same course that was followed in the French Revolution, and also by our American ancestors. But if in our Revolutionary War the amount of Revolutionary scrip, and if in the French Revolution the amount of assignats, had been confined to a small sum in proportion to the wealth of the country, if for instance it had been limited to less than one tenth of the annual production of the country, there would have been no danger. It is idle to attempt to alarm me by saying that this will expand the currency of the country too much. The annual productions of this country are over nineteen hundred millions of dollars. I have on my desk a carefully-prepared table made by the Superintendent of the Census, showing the aggregate production of all the States of the Union, and it amounts to over nineteen hundred millions of dollars. By this bill you propose to furnish a currency to the extent of less than one tenth of your annual production. Do you tell me that this will create an inflation of prices? I do not think so. If you should follow this issue by another, you might create a disturbance in your financial operations; but I think this will not.

The only true way, it seems to me, to establish a financial system in this country—and I do not believe we ever shall establish one until the necessity of the hour drives us to it—is, first, to ascertain how much money we can afford to expend in the prosecution of this war, and then collect at least one half of that by taxation, and the other half by loans. It seems to me that while your expenditure amounts to \$600,000,000 a year you will be driven to all sorts of expedients. If gentlemen want to get at the true measure of reform, if they do not want simply to adopt the expedients that are forced on us, they must reduce the public expenditures to a point at which the Government can maintain itself. If the amount were fixed at \$400,000,000, it would be easy to collect one half of that by taxation, anticipating the taxation by an issue of demand notes, never to be exceeded under any circumstances, and the other half by the sale of bonds. Many financiers have told me that the capital of the large cities could easily absorb \$200,000,000 of Government bonds from the annual interest now paid there. I have no doubt the Government could readily collect \$200,000,000 more by taxation. By doing this, and anticipating taxation by the issue of demand notes, we should have no difficulty in getting money. As it is now we have no fixed system; we go along without any fixed lights or guides.

I have thus, Mr. President, endeavored to reply to the constitutional argument of the Senator from Vermont. Our arguments must



be submitted finally to the arbitration of the courts of the United States. When I feel so strongly the necessity of this measure, I am constrained to assume the power, and refer our authority to exercise it to the courts. I have shown, in reply to the argument of the Senator from Maine, that we must no longer hesitate as to the necessity of this measure. That necessity does exist, and now presses upon us. I rest my vote upon the proposition that this is a necessary and proper measure to furnish a currency—a medium of exchange—to enable the Government to borrow money to maintain an army and to support a navy. Believing this, I find ample authority to authorize my vote. We have been taught by recent fearful experience that delay and doubt in this time of revolutionary activity are stagnation and death. I have sworn to raise and support our armies; to provide for and maintain our navy; to borrow money; to uphold our Government against all enemies, at home and abroad. That oath is sacred. As a member of this body, I am armed with high powers for a holy purpose, and I am authorized—nay, required—to vote for all laws necessary and proper for executing these high powers and for accomplishing that purpose. This is not the time when I would limit these powers. Rather than yield to revolutionary force, I would use revolutionary force. Here it is not necessary, for the framers of the Constitution did not assume to foresee all the means that might be necessary to maintain the delegated powers of the national Government. Regarding this great measure as a necessary and proper one, and within our power to enact, I see plain before me the path of duty, and one that it is easy to tread.

This bill became the act of February 25, 1862.

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## TAXATION OF BANK BILLS.

*IN THE SENATE OF THE UNITED STATES, JANUARY 8, 1863.*

THE Senate having proceeded to the consideration of the bill taxing bank bills and all fractional currency, Mr. Sherman said :

MR. PRESIDENT: I know it is difficult in the midst of exciting events to gain the attention of the Senate to a dry question, full of difficulty and details; yet everything affecting the currency of the country is now so sensitively felt, and involves so intimately the safety and welfare of the country, that I know the Senate will pardon me for discussing the policy of taxing the circulation of bank bills. The subject has been twice submitted to us by the Secretary of the Treasury. He regards the measure as of the highest importance. In his annual report one year ago, and also in his recent report, he has stated his view of it. He believes that the existing bank circulation prevents or embarrasses the process of funding, by which alone the bonds of the United States can be absorbed, and by which alone money can now be obtained from the people. I will not read the extracts from his report, because they are familiar, no doubt, to Senators.

At the last session of Congress I submitted a measure somewhat similar to this, in the form of an amendment to the revenue bill, but it was postponed rather than defeated. The bill I now introduce contains but two sections: the first proposes to levy a tax of two per cent. on the circulation of all bank bills; the second provides for a tax of ten per cent. on all fractional currency under one dollar, issued by corporations or by individuals. I propose, in the first place, to examine this proposition purely as a question of taxation, before stating its effect upon the currency of the country.

In the outset, it is necessary for us to remember the distinction between the ordinary process of banking and the issuing of bank bills. The business of banking proper consists in loaning money, discounting bills, facilitating exchanges of productions by the agency of commercial paper, and in receiving and disbursing the deposits of individuals. The issue of bank bills is an exclusive privilege, conferred only upon comparatively few corporations. It is a privilege that an individual cannot enjoy. No person can issue his bills in the form of paper money without an express corporate franchise, granted to him either by a general banking law or by an act of incorporation. All the business of banking may be exercised by private individuals, except this franchise. There is no reason why any one may not carry on all the business incident to banking, except this one of issuing bills to circulate as money. Indeed, the largest banking houses in this country, and in the world do not exercise the privilege of issuing bills. We know that the Rothschilds, the Barings, Mr. Peabody, one of our own distinguished citizens in England, and our heaviest banks in this country, do not exercise it. The Bank of Commerce of New York, with a capital of \$9,000,000, has now less than \$2,000 of circulation; and nearly all the leading banks of the city of New York, comprising the majority of the banking capital of the State of New York, issue a comparatively small amount of bills. It is also true that the strongest banks issue the least number of bills, and the weakest banks support themselves and make profit by issuing the largest quantity of bills. Mr. Chase, in his report, states this proposition very plainly. I will read an extract from it:

Circulation commonly is in the inverse ratio of solvency. Well-founded institutions, of large and solid capital, have in general comparatively little circulation; while weak corporations almost invariably seek to sustain themselves by obtaining from the people the largest possible credit in this form. Under such a system, or rather lack of system, great fluctuations and heavy losses in discounts and exchanges are inevitable; and not unfrequently, through failures of the issuing institutions, considerable portions of the circulation become suddenly worthless in the hands of the people.

In the West, where capital is not abundant, we have suffered more from a system of banking operations than from any other financial cause. Banks have been founded often upon no capital, or upon fictitious capital; sometimes upon bonds purchased on credit; and then, after they have spread their notes all over the country, filling the pockets of the people with a worthless currency, they suddenly explode, and the note-holders suffer the entire loss. It is true that in the older States, where capital is more abundant, they have a better system of

banking ; but, after all, it will be found that the weakest banks issue the most notes. The strongest banks do without this privilege, or use it lightly. All the leading banks in this country which have ample capital may dispense with the privilege of issuing bank bills with but little inconvenience ; while those of small capital, dependent upon their circulation, may very properly give way to private bankers, who carry on their operations entirely with other currency and upon individual responsibility.

The business of banking proper is very heavily taxed by our excise law. It will be found by reference to the tax bill that all commercial paper—checks, drafts, orders, bills of exchange, foreign and inland, protests, certificates, bonds, powers of attorney—every instrument that is used in the ordinary process of banking—is heavily taxed, while bank bills are not taxed at all. This is a discrimination, it seems to me, that is very unjust.

When a private banker undertakes to do business, he has first to apply for a license to carry on the ordinary operations of banking, and for that license he pays \$100. But a bank of circulation is expressly exempted from the necessity of procuring a license. While all the ordinary functions of banking, all those that are useful to the people, and which are purely voluntary—the operations of loans, discounts, exchanges, and deposits—are taxed for license, the business of issuing paper money, which may alone be done by corporations chartered under general or special laws, pays no license. I will read the clause :

Bankers shall pay \$100 for each license. Every person shall be deemed a banker within the meaning of this act who keeps a place of business where credits are opened in favor of any person, firm, or corporation, by the deposit or collection of money or currency, and the same or any part thereof shall be paid out or remitted upon the draft, check, or order of such creditor, but—

Mark you—

*but not to include incorporated banks or other banks legally authorized to issue notes as circulation.*

All other banks and bankers, whether they are incorporated or not, whether they are associated together or not, have to get a license ; and there is an express reservation and exception in favor of banks authorized to issue paper money. Now, why is this ? Is there any reason for it ? I think there is none.

Again, sir, take the stamp taxes. Every commercial instrument must be stamped. If I issue my note for \$100, I must place on that note a stamp in order to make it valid. I then must pay interest on that note. If I invest the proceeds in any kind of business, I must pay a tax upon that business, first in the form of a license, and then in the form of a tax upon the production. After that, I must pay a tax upon my profit. The stamp tax attaches to every form of commercial instrument. Why should it not attach to a bank bill ? And yet, by another provision of the revenue law, which I will read, banks of issue are expressly exempted from this tax. In the section providing for stamp duties occurs this clause :

Bill of exchange (inland), draft, or order for the payment of any sum of money exceeding twenty and not exceeding one hundred dollars, otherwise than at sight or on demand, or any promissory note, *except bank notes issued for circulation*, for a sum exceeding twenty and not exceeding one hundred dollars, five cents; exceeding one hundred dollars and not exceeding two hundred dollars, ten cents, etc.

Now, why should there be this discrimination? I, as an individual, must pay these stamp duties; a banker doing business must pay them; a person who has embarked his credit in the most necessary pursuit, having no special privileges whatever, must attach a stamp to his note when he issues it in any form, whether in the form of a certificate, a promissory note, a bill of exchange, or in any of the multiplied forms of commercial paper. There is no way in which he can issue his note, whether bearing interest or not, whether payable on demand or not, in which it is not taxed by the Government; and yet a note issued by a bank incorporated with special privileges is expressly exempted from the operations of this law. Why is this, Mr. President? There is no reason for it.

The only tax levied by this act on banks of circulation is the tax of three per cent. on the net income, and that tax is deducted from the dividend to the stockholders. I venture the assertion that there is no interest in this country so lightly taxed as banks of circulation. Three per cent. on the net income: how much is that? It is only fifteen cents on \$100 of circulation. Contrast the tax imposed on an ordinary manufacturer with the tax imposed on a bank. A man is engaged in the business of production, that which adds to the wealth of the country; he is converting the raw material into something necessary to sustain life: what process of taxation is he subjected to (and very properly, for I do not object to the taxes)? He first has to get a license for his employment; he then invests his capital in real estate or machinery, which is taxed. If he issues his note, check, or other commercial paper, he must attach a stamp to it; he must then pay three per cent. on the entire product of his business—not three per cent. on his profits, but three per cent. on his entire production, often greater than his capital; and if he should make any profits, he must pay three per cent. on his profits. That is the process of taxation to which we compel a manufacturer to submit.

How is it with the bank of circulation? The bank of circulation carries on its mammoth business without paying any license; it issues its note without paying any stamp-duty; it circulates that note without interest; it does not pay that note in specie; it does not pay three per cent. on its production, its manufactured article of paper money. It only pays three per cent. on its profits. Nor is that all. It is not three per cent. on the gross profits of the bank, but three per cent. on the net profits of the bank; after every expense that may be conjured up, salaries; fees, employments, is deducted from the profits, the balance is subjected to the insignificant tax of three per cent. This is all the revenue paid by such banks on their exclusive franchise. Even that little tax, by the express provisions of the law, may be deducted from the dividend of the stockholder; and the stockholder does not pay the tax twice, because this is deducted from his own income tax.

Mr. President, I can run this comparison further, and show that in all the employments of life there is a discrimination in favor of the bank of circulation. It is not in favor of corporations, because corporations are heavily taxed by this law. Let us look. Railroad companies pay three per cent. on the gross receipts from passengers. The receipts of a road for passengers are sometimes one-fifth of its capital stock. Railroad companies pay three per cent. on the gross receipts from passengers, without any deduction. Insurance companies pay one per cent. on their gross receipts, and, as was stated in debate here last spring, the annual receipts of an insurance company are often equal to the capital out of which they have to pay their losses. So here is a tax on insurance companies, confessedly among the most useful institutions in the country, of one per cent. on their gross receipts, which is equivalent to ten per cent. on their profits. Then how is it as to salaries? We, as Senators, receive \$3,000 a year, and we pay a tax of three per cent. on our gross salary; and there is no deduction made for our very necessary expenses, though I suppose most of us have none of the \$3,000 left when we go home. The tax is levied on the gross salary.

Now, how is it with a private citizen? After payment of the taxes assessed upon property and employments, the taxes on stamps and licenses, there must still be paid a tax of from three to five per cent. on gross incomes over \$600. And yet, although all classes of the community—corporations, citizens, men, women, and children—bear with patience this heavy rate of taxation, banks of circulation having exclusive privileges, having the franchise of making money and issuing promises to pay without paying interest upon them, pay but three per cent. on their net profits from circulation, and even that is deducted from dividends to the stockholders. This is an unequal, unjust system of taxation, and should be corrected.

There are reasons which, to my mind, are very potent why the taxes on banks of circulation should be heavier instead of lighter than those on other employments. The force of them, I think, will be perceived when I state them. We know very well that the profits on the issue of bank notes are now vastly increased. I have a statement before me which shows that the average profits of the banks of the State of New York in the last year were twelve and a half per cent.—a very heavy profit. This profit is this year greater than usual. We all know that the business created by the war, the unusual activity in commercial credits, has been very profitable to the banks.

But that is not all. The burdens imposed upon the banks by their charters have been lessened by the suspension of specie payments. When a bank had to keep in its vaults coin to the amount of one third of its circulation in order to redeem that circulation, when it was liable at any day to be called upon for the redemption in gold and silver of every dollar of it, that was a burden which very much lessened the profits. But now there is no such liability, and there is no such responsibility. Whether right or wrong, we know that all these banks have suspended specie payments, and now practically put upon the people their currency without paying either principal or interest. I say, therefore, they ought

to be taxed more heavily than other employments in life. Why, sir, I remember very well—and some of the Senators here remember it also—an interview which was sought by the bankers of our chief commercial cities—all of them intelligent and patriotic men—with the Secretary of the Treasury, to which they invited the financial committees of the two Houses to hear their proposition for carrying on the financial operations of this Government. We all went to the office of the Secretary of the Treasury, and the proposition was there made that the United States should issue no paper money whatever; that the specie clause, as it is called, of the Sub-Treasury law should be repealed; and that we should carry on the war upon the basis of the paper money of the banks, legalizing the suspension of specie payments, and that the Government should issue no paper except upon an interest of six per cent., or higher, if the money markets of the world demanded more. That was their plan of finance—the plan substantially adopted in the war of 1812, and which has been condemned by every statesman since that time—a plan of carrying on the operations of this great Government by an association of banks over which we had no control, and which could issue money without limit so far as our laws affected it. That was the scheme presented to us by those very intelligent gentlemen.

But, Mr. President, what are the objections to this tax? for this subject has been conversed about, and I bring the matter to the attention of the Senate now, in order that we may anticipate these objections, and excite others, if they exist. It is objected that this tax interferes with vested rights. If I understand it, all the taxes that are now levied by the Government are to maintain vested rights in property, liberty, and life. They are not to interfere with vested rights. Why, sir, every private citizen holds his property subject to the power of taxation, and Congress must designate the objects of taxation. When, after a man buys a farm, a new tax is imposed upon it, as a matter of course that impairs to some extent the value of the farm. And is the franchise of a corporation more sacred property than the franchise of an individual, the right which he possesses under the laws to hold his land as property? Not at all. All these corporate franchises are held subject to the power of taxation in Congress, which is sometimes necessary to be exercised in the most potent manner in order to maintain the Government. The States cannot by an act of incorporation place their property beyond the power of Congress. A State may, by law, make a contract with individuals which it cannot impair by taxation; but it cannot thus affect the power of Congress.

But it is said this tax discriminates against banks. Every tariff and revenue act discriminates in the objects of taxation. The law that we passed at the last session discriminates between the various employments of life; it has a multitude of taxes, some higher, some lower. The only limitation upon the power of Congress on that subject is, that the taxes must be uniform; that is, a tax that applies in Vermont must also apply in Louisiana; a tax that is imposed on the people of Ohio must also be imposed on the people of New York; but the objects of taxation may be selected by Congress according to its wisdom, and taxes may be higher on one business and lower on another.

The only question with me in this matter is what rate of taxation ought to be adopted. Is two per cent. too high? I think it is not, because it is only one third of the profit derived from the issue of paper money without interest, the principal of which is not now paid in coin. The tax on fractional currency is upon a different basis. By an act passed at the last session it was made a crime for individuals and corporations to issue fractional currency, and yet we know this statute cannot be enforced. It ought to be repealed. One of the judges of the Supreme Court of the United States has cast doubts upon its constitutionality. I will not discuss that question now, but certain it is that a law which is openly violated with impunity by all classes of citizens ought not to remain upon the statute book. Yet how are we to check the issue of this fractional currency except by taxation? Everybody knows that the issue of shinplasters, as they are commonly and ignominiously but very properly called, is injurious in every sense and ought to be abolished. Now, however, all kinds of corporations are issuing them. We ought to get rid of them, but how can it be done except by taxation? The tax proposed by this bill is ten per cent. on fractional currency, which is probably about as much as or more than any one can make out of it, and will amount really to a prohibition. This is a tax that can easily be collected. Fractional currency is issued either by corporations or by wealthy bankers scattered over the country. If they violate the law by issuing it, they usually have property, for without property their shinplasters would not be taken; and, if they have property, we can very easily, through the machinery we have now organized, collect the tax, even if it is a high one. Under the operations of this bill you will have a simple remedy, and I think an efficient one, to cure the issue of fractional currency, and at the same time to levy a reasonable contribution on banks of circulation.

Mr. President, I have thus stated this question simply as a question of taxation; but I should not be candid, I should not state my real purpose, if I did not say frankly that I have another and a much higher object than this to accomplish. The purpose of this bill is to induce the banks of the United States to withdraw their bank paper, in order to substitute for it a national currency, or rather the national currency we have already adopted. This, sir, is not a new object. I might read to you from volumes of speeches of our greatest statesmen, from the foundation of this Government, to show you that the establishment of a national currency, based upon the laws of Congress, either of gold, or silver, or in some other form, has ever been regarded as indispensable to the prosperity of the country. When the currency can be regulated by a number of States, and under a multitude of laws, it is impossible to have it uniform, stable, and sound. The first Bank of the United States was expressly advocated upon this ground by Mr. Hamilton and all those who supported it; as was also the second Bank of the United States by Mr. Madison, from whose message of December 5, 1815, I will read a short extract to show you that the statesmen of that time regarded the establishment of a uniform national currency as the highest object of legislation. Mr. Madison said:

It is, however, essential to every modification of the finances that the benefits of a uniform national currency should be restored to the community. The absence of the precious metals will, it is believed, be a temporary evil; but, until they can again be rendered the general medium of exchange, it devolves on the wisdom of Congress to provide a substitute which shall equally engage the confidence and accommodate the wants of the citizens throughout the Union.

This is a statement of the whole matter. When coin, the best national currency, is driven out of circulation by the existence of war or extraneous circumstances, then it is the duty of Congress to provide a substitute. Congress did at that time provide a substitute by establishing the Bank of the United States. All the State banks shortly afterward exploded, and almost the entire issue outstanding at the time this message was written fell as a loss to the people of the United States. The Bank of the United States did furnish, for a while, a stable currency. After its charter expired, the controversy was between gold and silver as a national currency and paper money. Nearly all the statesmen of that time believed that it was necessary to have a national currency in some form, but there was a party in the country that believed the only true national currency was bullion—gold and silver coin. After a controversy that I will not review, because it is familiar, we know that the Sub-Treasury system was finally adopted. The Government had no occasion to appeal to the people for credit; its debt was paid off, and there was a large surplus in the Treasury, which was distributed among the States. The agency of a United States Bank was no longer necessary to sustain the public credit. The object then was to establish a stable national currency. The State banks had failed to accomplish the purposes for which they were intended; their notes were mostly lying dead in the hands of the people, entirely worthless, useless either as a currency or as an investment. Therefore, I think wisely, the Sub-Treasury system was adopted, and gold and silver coin was made the only national currency. I believe that is the true policy. If peace were restored to this country, we ought as soon as possible to go back to the basis of gold and silver coin; but, in the mean time, we must meet the exigencies of the hour. Paper money is now a necessity. Gold and silver are hoarded. War always has led, and always will lead, to the hoarding of the precious metals. Gold and silver flee from a state of war. Every nation in modern times, since paper money has been recognized as an agency, has resorted to it in times of trial. It was the old continental currency that carried our fathers through the Revolution; and, although it was afterward depreciated and dishonored, I could show you, by the opinions of the eminent statesmen of the time, that but for that paper money the colonies would have been entirely overwhelmed by the British power. It was only by the use of paper money that England maintained her gigantic wars with Napoleon. At several periods during the wars of England with Napoleon, gold and silver were at a greater premium in England than they are now in this country. It was only by paper money issued substantially by the Government, or by the Bank of England, which is but an agent of the Government, that those wars were maintained.



There can be no doubt about the power of Congress on this subject; and, in order to fortify my opinion and show that the whole question has been examined by much wiser men, I will read an extract from the report of Mr. Dallas, in December, 1815. I read this short extract to show that never was the exclusive power of Congress over the currency denied even by those gentlemen who were in favor of gold and silver as the standard of all values. Mr. Dallas, in his famous report made in December, 1815, says:

By the Constitution of the United States, Congress is expressly vested with the power to coin money, to regulate the value of domestic and foreign coins in circulation, and (as a necessary implication from positive provisions) to emit bills of credit; while it is declared by the same instrument that "no State shall coin money, or emit bills of credit." . . . The Constitutional authority to emit bills of credit has also been exercised in a qualified and limited manner. During the existence of the Bank of the United States, the bills or notes of the corporation were declared by law to be receivable in all payments to the United States; and the Treasury notes, which have been since issued for the services of the late war, have been endowed with the same quality. . . .

The constitutional and legal foundation of the monetary system of the United States is thus distinctly seen; and the power of the Federal Government to institute and regulate it, whether the circulating medium consist of coin or of bills of credit, must, in its general policy, as well as in the terms of its investment, be deemed an exclusive power. It is true that a system depending upon the agency of the precious metals will be affected by the various circumstances which diminish their quantity or deteriorate their quality. The coin of a State sometimes vanishes under the influence of political alarms, sometimes in consequence of the explosion of mercantile speculations, and sometimes by the drain of an unfavorable course of trade. But, whenever the emergency occurs that demands a change of system, it seems necessarily to follow that the authority which was alone competent to establish the national coin is alone competent to create a national substitute.

These extracts from a document of great ability state the whole question in a few words. Congress has the power to regulate commerce; Congress has the power to borrow money, which involves the power to emit bills of credit; Congress has the power to regulate the value of coin. These powers are exclusive. When, by the force of circumstances beyond our control, the national coin disappears, either because of war or of other circumstances, Congress alone must furnish the substitute. No State has the power to interfere with this exclusive power in Congress to regulate the national currency, or, in other words, to provide a substitute for the national coin.

I think, Mr. President, it is possible that the specie standard might have been maintained in this country; but, in order to do it, we should have had to resort to very desperate measures. This war might have been carried on with such a standard; but, in order to do it, it would have been necessary to reduce every expense to the lowest possible amount. Instead of raising the pay of our soldiers, we should have had to reduce it. We should have had to depend upon conscription laws. Recognizing the great difficulties that surrounded us, we should have had to regard the whole property of the people of the United States and all their physical energy as the proper means to put down the rebellion, and we should have had to seize them by force. I am not sure now but that it would have been better to meet this struggle at the outset by the use of these strong measures—by a frank appeal

to the people; by the passage of a strict conscription law, founded upon just principles, something after the model of the French law; by the reduction of all salaries; by an appeal to force; and by hurling the vast power of the loyal people of the United States against the rebels in arms against their authority.

But, Mr. President, we know that that was not in accordance with the sense of our constituents; it was not in accordance with the sense of either House of Congress. They preferred, on the other hand, to pay liberally to all; and instead of reducing, in almost every case they increased the salaries of officers of the Government, and wasted, I fear lavishly, much of the money of the people at the outset of this war. We were driven to the use of paper money; we have to resort to it now; we must depend upon it; we cannot get along without it. All we can do is, in making use of it, to throw around it every guard and check, to make the amount issued as small as possible, and to drive out of circulation that which tends to depreciate and destroy its value.

The question then, Mr. President, is not between coin and paper, because I have shown that we cannot resort to coin. The question is between a national currency and a currency issued by State corporations, or a mixture of both.

Now, I wish to state very briefly the objections to local banks, which are obvious. Senators will recognize them and feel their force when I state them.

The first is the great number and diversity of bank charters. There are sixteen hundred and forty-two banks in the United States, established by the laws of twenty-eight different States, and these laws are as diverse, I was about to say, as the human countenance. They are established upon different bases. We have the State bank system with its branches. We have the independent system, sometimes secured by bonds, sometimes State bonds, sometimes by real estate, sometimes a mixture of both. We have every diversity of the bank system in this country that has been devised by the wit of man, and all these banks have the power to issue paper money. With this multiplicity of banks, depending upon different organizations, it is impossible to have a uniform national currency, for its value is constantly affected by their issues. There is no common regulator; they are dependent on different systems. The clearing-house system adopted in the city of New York applies only to that city. There is no check or control over these banks. There is a want of harmony and concert among them. Whenever a failure occurs, such as that of the Ohio Life Insurance and Trust Company, it operates like a panic in a disorganized army; all of them close their doors at once and suspend specie payments.

There is another objection to these local banks, and it is one which we cannot disregard, and that is their unequal distribution among the States. In New England the circulation of the banks is now about \$50,000,000, while in Ohio, a State with three-fourths of the population of all New England, it is but \$9,000,000. When you make the contrast with other States, it is still more marked. According to a recent statement, which I have before me, the circulation of banks in the Eastern States has now reached about \$130,000,000; and of that

amount one-third is computed to be in the western country. I have no doubt that we are now circulating in the West \$40,000,000 of paper-money issued by the banks of the East; and we are paying to the East the interest on this \$40,000,000, which we would much rather, in these times of difficulty, pay to the United States. The western people would be better satisfied now if they had the notes of the United States instead of these eastern bank bills. Much of this money seeks the West as a medium of exchange for our agricultural productions, and the banks are deriving a profit of the interest on it. If this paper were driven out of circulation, and United States notes were substituted, it would make a contribution to the Treasury of the United States of \$2,400,000, for the mere interest of a currency which we do not prefer, but are now compelled to use. Losses to the people by counterfeiting can never be avoided when you have such a multitude of banks. It requires experts now to detect counterfeits. People have made this business of counterfeiting so perfect that it is difficult for the best experts to detect a counterfeit. When a stranger presents a bank bill, the person about to receive it looks rather at the man who presents it to see whether his face is honest, than at the bill to detect whether it is counterfeit or not; so that more depends on the general appearance of the person presenting a bill, than on the appearance of the bill itself, as to its genuineness. It is impossible to prevent counterfeiting. Bank experts may save the banks, but loss still falls upon the people. You cannot prevent the people from suffering largely from counterfeiting when you have sixteen hundred different banks, issuing each of them several different kinds of bills, under the laws of twenty-eight different States. On the other hand, by the substitution of the national currency we substantially lose nothing by counterfeiting. When the notes are few in kind, only three or four of them, all issued by the United States, all of a uniform character, they cannot be counterfeited, because their faces will become so familiar that every man will know a genuine note; he will detect it in a moment as the countenance of a familiar friend. But, when he has to decide on the issues of sixteen hundred banks, how is it possible for an ordinary citizen to detect the counterfeit?

The loss to the people of the United States by bills of broken banks is computed to be equivalent to five per cent. of all the bills issued. Every twenty years, it is supposed, the entire bank circulation ceases to exist or deteriorates. Some banks pass through the storm and their notes are good, but probably two or three are successively scattered as wrecks along the wayside, until it is now computed by intelligent bankers that the loss to the people of the United States, over and above the loss of interest, by broken bank bills, is five per cent. per annum. This cannot be guarded against by laws. Why, sir, when the system of free banking was established in the western country, those who were friendly to banks said: "Now we have a stable issue; we have bank bills based upon the bonds of the States, and it is not possible that these bonds will ever deteriorate in value and the people lose money." And yet, sir, within two years from the establishment of the system, by the depreciation of the bonds, or by fraud, these notes became depreciated, and in some cases entirely worthless. In some cases the

bonds were abstracted ; in some cases frauds were committed by bank officers. From some cause or other the value of these notes that we all supposed to be upon a stable basis disappeared like snow before the summer's sun. The people are constantly losing by them, and you cannot by the wisdom of man guard against the frauds and peculations, the genius of rascality to which men engaged in this business sometimes resort. I wish to cast no reflection whatever on persons engaged in banking, but rogues will naturally resort to this business, because it is one in which they may sometimes by deception issue worthless promises to pay without punishment or exposure.

The loss of exchange by local currency is very great. Ordinarily, the exchange from the West to the East is one per cent. This loss is usually made a gain to themselves by the bankers and shavers. In the western country you cannot buy a draft without paying this exchange ; and I have known it as high as ten per cent. This difference of exchange is a common cover for usurious interest. Plain farmers wishing to borrow money are required to draw drafts on New York, by which contrivance they pay usurious interest. All this is a loss to the people. Even in the most favorable time, in a favorable state of trade between the East and the West, an exchange of one per cent. is demanded for drafts and bills of exchange, simply because the notes of the East are worth more than those of the West. With a national currency, uniform and equal throughout the country, this cost of exchange to the people would not exist.

There is a still more serious objection to this paper money. With a system of local banks there is no power to control over-issues and consequent depreciation of currency. By enlarging the volume of currency, the value of United States notes is depreciated ; and even now, when the United States have issued \$250,000,000 of notes, the banks have increased their circulation.

I have before me a table which has been carefully prepared, showing that on the 1st of January, 1862, in the loyal States, there was a circulation of \$129,000,000. Now it is \$167,000,000. What power have you over this ? How can you prevent this increase ? You cannot do it except by taxation. The banks are governed by the local laws of the States in which they are situated. Those local laws are beyond your power ; you have no way to reach them except by a system of taxation. They may go on making this increase from \$167,000,000 to \$500,000,000, until all the values in this country are destroyed, depending upon a baseless issue, the redemption of which you cannot guarantee. I have here, from the "Bankers' Magazine," a statement showing where this large increase has occurred. In the city of New York, since the 1st of January, there has been an increase of  $19\frac{63}{100}$  per cent. ; in the State of Massachusetts there has been an increase of  $41\frac{94}{100}$  per cent. ; in the State of New Hampshire there has been an increase of  $27\frac{5}{100}$  per cent. ; in the city of Philadelphia there has been an increase of  $138\frac{30}{100}$  per cent., until the sagacity of the bankers began to notice the increase and suspected the money of the banks issuing the large increase. In the western country, for local reasons that I need not mention, on account of the existence of the limitations in the charters

of the banks of Ohio and Indiana, this increase has not gone on so rapidly; but even in Ohio there has been an increase, and a considerable one, of the paper money.

And, sir, the system of local bank paper destroys all hope of a national currency, and defeats a plain provision of the Constitution. It is difficult to resist the conviction that notes issued by State corporations are bills of credit prohibited by the Constitution of the United States. I know that these banks have existed for long years, have been acquiesced in, and have been regarded as established constitutionally by the States. I therefore shall not give my own opinion merely, but shall fortify it by the history of the clause of the Constitution forbidding States to emit bills of credit; I shall show you that it was the intention of the framers of the Constitution to destroy absolutely all paper money, except that issued by the United States. In the Constitution as originally framed, the States had power to emit bills of credit and to make them a tender in payment of debts *if Congress would consent*. The prohibition was not absolute. That was the condition of the draft of the Constitution on the 28th of August, 1787, when it appears from the "Madison Papers" that

Mr. Wilson and Mr. Sherman moved to insert, after the words "to coin money," the words, "nor emit bills of credit, nor make anything but gold and silver coin a tender in payment of debts;" making these prohibitions absolute, instead of making the measures allowable, as in the thirteenth article, *with the consent of the Legislature of the United States*.

Mr. Gorham thought the purpose would be as well secured by the provision of article thirteen, which makes the consent of the General Legislature necessary, and that in that mode no opposition would be excited; whereas an absolute prohibition of paper money would rouse the most desperate opposition from its partisans.

Mr. Sherman thought this a favorable crisis *for crushing paper money*. If the consent of the Legislature could authorize emissions of it, the friends of paper money would make every exertion to get into the Legislature in order to license it.

The question being divided—on the first part, "nor emit bills of credit":

New Hampshire, Massachusetts, Connecticut, Pennsylvania, Delaware, North Carolina, South Carolina, Georgia, aye—8; Virginia, no—1; Maryland, divided.

The remaining part of Mr. Wilson's and Mr. Sherman's motion was agreed to, *nem. con.*

Now, Mr. President, I show you here that this prohibition was made absolute after consideration and debate, and upon the distinct ground that it was important to crush paper money; and therefore the States were forbidden, under any circumstances, to emit bills of credit. The same debate shows that it was considered that the United States had the power to emit bills of credit under the general authority to borrow money. That is undoubtedly true. Where an authority is conferred to borrow money, the securities for that money may be issued in any form that the Legislature prescribes; and the States, under their general authority to borrow money, could emit bills of credit but for the positive prohibition contained in the Constitution against that emission. Thus I show you, sir, that in the outset of this controversy it was the intention of the framers of the Constitution to prohibit all paper money, and to allow none whatever unless it was issued by Congress under the power of borrowing money.

I will read also an extract from Story on the Constitution, to show

his view of this subject. In the third volume of his "Commentaries," in discussing this provision of the Constitution, Mr. Story says :

The prohibition to "emit bills of credit" cannot, perhaps, be more forcibly vindicated than by quoting the glowing language of the "Federalist," a language justified by that of almost every contemporary writer, and attested in its truth by facts from which the mind involuntarily turns away at once with disgust and indignation. "This prohibition," says the "Federalist," "must give pleasure to every citizen in proportion to his love of justice, and his knowledge of the true springs of public prosperity. The loss which America has sustained since the peace from the pestilent effects of paper money on the necessary confidence between man and man, on the necessary confidence in the public councils, on the industry and morals of the people, and on the character of republican government, constitutes an enormous debt against the States chargeable with this unadvised measure, which must long remain unsatisfied; or rather, an accumulation of guilt, which can be expiated no otherwise than by a voluntary sacrifice on the altar of justice of the power which has been the instrument of it. In addition to these persuasive considerations, it may be observed that the same reasons which show the necessity of denying to the States the power of regulating coin prove with equal force that they ought not to be at liberty to substitute a paper medium instead of coin."

Again he says :

It was, therefore, the object of the prohibition to cut up the whole mischief by the roots, because it had been deeply felt throughout all the States, and had deeply affected the prosperity of all. The object of the prohibition was not to prohibit the thing when it bore a particular name, but to prohibit the thing whatever form or name it might assume. If the words are not mere empty sounds, the prohibition must comprehend the emission of any paper medium by a State government for the purposes of common circulation.

I have one or two other authorities to show that it was the intention of the framers of the Constitution to destroy entirely this system of paper money issued by States; but the general principle is laid down sufficiently by Mr. Story.

Now, the question occurs, if the States cannot emit bills of credit, can the States authorize corporations to do it? Can a State authorize that to be done by another which it cannot do itself? Is not paper money issued by a State corporation a bill of credit? Certainly it is a promise to pay on demand, issued, and intended to be issued, as paper money, to be circulated as money. Its whole existence is based upon the authority of the State government. It only claims this exclusive franchise by virtue of an act of the State Legislature. Now, I ask, can a State authorize a corporation of its citizens to do that which it cannot in its own power do itself? Why, sir, the thing is absurd; but by universal acquiescence—a phrase which I catch from the honorable gentleman from Maine [Mr. Fessenden]—this infringement has been passed along *sub silentio*, until these banks have grown into a formidable power, and now wield, in conjunction with the United States, the dangerous power of making paper money. In ordinary times, when the national currency was gold and silver, and all the operations of the Government were carried on in gold and silver, and these banks were mere agencies of the people to carry on their private transactions, it would not have been wise to interfere with them; but now, when it is necessary for Congress to resort to all the powers conferred upon it, when the country is involved in a war which may task its energy and

resources for years, when it is necessary to use every power to the very verge of the Constitution, I ask, shall we allow our currency and our national system to be deranged and disorganized by that which the framers of the Constitution believed they had guarded against by a positive prohibition?

Mr. President, I read from orthodox authorities. I will now read from Mr. Webster to show his opinion on this subject; and I think there is no language anywhere, by any writer, stronger than his upon this subject. Mr. Webster discusses this whole question of the national currency at great length, in a speech delivered by him in the Senate on the 25th of May, 1832—a speech I need not say of wonderful power, because he never made one of any other character, so far as I have read any of them. He says, in the first part of his speech:

A sound currency is an essential and indispensable security for the fruits of industry and honest enterprise. Every man of property or industry, every man who desires to preserve what he honestly possesses, or to obtain what he can honestly earn, has a direct interest in maintaining a safe circulating medium; such a medium as shall be a real and substantial representative of property, not liable to vibrate with opinions, not subject to be blown up or blown down by the breath of speculation, but made stable and secure by its immediate relation to that which the whole world regards as of a permanent value. A disordered currency is one of the greatest of political evils. It undermines the virtues necessary for the support of the social system, and encourages propensities destructive of its happiness. It wars against industry, frugality, and economy; and it fosters the evil spirits of extravagance and speculation. Of all the contrivances for cheating the laboring classes of mankind, none has been more effectual than that which deludes them with paper money. This is the most effectual of inventions to fertilize the rich man's field by the sweat of the poor man's brow. Ordinary tyranny, oppression, excessive taxation, these bear lightly on the happiness of the mass of the community, compared with a fraudulent currency and the robberies committed by depreciated paper. Our own history has recorded for our instruction enough, and more than enough, of the demoralizing tendency, the injustice, and the intolerable oppression on the virtuous and well disposed, of a degraded paper currency, authorized by law, or in any way countenanced by Government.

That is what he says speaking of the ordinary bank circulation then afloat in the country. He says further, on the very point I am now discussing:

It is further to be observed that the States cannot issue bills of credit; not that they cannot make them a legal tender, but that they cannot issue them at all. Is not this a clear indication of the intent of the Constitution to restrain the States, as well from establishing a paper circulation as from interfering with the metallic circulation? Banks have been created by States with no capital whatever, their notes being put into circulation simply on the credit of the State, or the State law. What are the issues of such banks but bills of credit issued by the State? I confess, Mr. President, that the more I reflect on this subject, the more clearly does my mind approach the conclusion that the creation of State banks, for the purpose and with the power of circulating paper, is not consistent with the grants and prohibitions of the Constitution.

With this authority, sustained by the history of this clause, I am willing to stand upon the affirmation, notwithstanding the long acquiescence of our people, that banks of circulation authorized by the States are unconstitutional, and should be dispensed with. But whether this is so or not, even if the long acquiescence of our people has given them the sanction of legal authority, there is no doubt that these banks hold

their franchise upon the same tenure that people hold their property, and that all of them are subject to the power of taxation in Congress, which should now be exercised to maintain and support the Government in this, the darkest hour of its history. Therefore, as I can see that the gradual reduction or withdrawal of this paper money, accomplished in a way least to injure the interests of the banks and of private citizens, may strengthen the arm of this Government, may give us a sound national currency, may promote the national weal, I cannot hesitate a moment. I have shown you that Congress has guarded the interest of the banks; that it has exempted them from the heavy taxation imposed on the people; that they have been selected rather as favored daughters of the revenue law than as those who have gradually usurped the powers conferred only on Congress. Now, sir, it is necessary to tax these banks; to warn them that their circulation must not be increased, but must be withdrawn. If they do not heed that warning, then I am willing to put their issues on the same footing as fractional issues—illegal issues, confessedly so, by the laws of the States and of the United States. I would prohibit them entirely by a taxation which would suspend their franchise. I do not think, as legislators, we ought to do that by hasty acts; but we can and should make the process gradual. A tax will indicate the policy adopted by Congress.

I know it has been said that if you drive bank bills out of circulation you will disturb all the business relations of the States. I do not think so. The whole bank issue, as I have shown you, was \$167,000,000 in November. That is not two sevenths of the loans of the banks. This circulation could be gradually withdrawn, and its place filled with United States notes, without creating a ripple upon the surface. By this withdrawal you would get rid only of those banks which are weak and unable to carry on the banking business without circulation. Why, sir, if you take from these banks the power to issue notes for circulation, do you not leave them all their property? Have they not their capital intact? Have they not the power to carry on the business of exchange and deposit, and all the ordinary and usual functions of bank agencies? Do you take anything away from their property? Not at all. You merely take away from them a franchise, in the nature, it is true, of property; but a franchise the deprivation of which will be of more service to them, and certainly to the General Government, than its value can be. If they would put their business upon the same footing as private individuals, they would gain more than they would lose. If I owned any bank of issue in this country I would at once withdraw its circulation, and stand upon the same privileges and the same business relations that private individuals do, claiming nothing from corporate privileges. Then the business of bankers would stand like the business of other people. It is easy now to excite a prejudice against banking. Why? Simply because the business itself is in the nature of an exclusive privilege granted only to a select few, always sought for under acts of the State Legislature; but, if you put it on the same footing as you do manufacturing, the same footing as you do the practice of the law, or any other business—leave it open



to all, and confine it to its legitimate operations—you remove all prejudice against it. Then banks would do here as they do in Europe: they would carry on the exchanges of the country; they would issue certificates and commercial paper; they would aid commerce without usurping or exercising any of that authority which can safely be conferred only upon the Government.

It is sometimes said that the experience of other countries has shown that banks of issue are necessary. That is not so. The Bank of England consists of two distinct departments—as distinct as two departments can be. The one does the business of banking proper, buys and sells notes, discounts bills, issues bills of exchange and certificates of deposit, receives deposits, and carries on all the operations of the bank; the other department, distinct and separate, controlled by law, issues notes of circulation; and those notes of circulation are based entirely upon Government securities and gold and silver. It is nothing more nor less than this: that one department of the Bank of England is an agency of the people of that great kingdom to issue the notes of the Government; and that is all they are. Every Bank of England note is the note of the Government, for it is based upon the credit of the Government and upon gold and silver coin. It is regulated, controlled, and altered by the Government. The bank is the agency of the Government. In most of the other countries of Europe at present, gold and silver are the basis of all transactions, and there is no difficulty of carrying on the largest operations. It is only when people are compelled to use unusual resources, when they are compelled to resort to their credit in a time of great national emergency, that paper money is resorted to in Europe or is justified in this country.

There is a still more potent reason, Mr. President, why this bill should be adopted. We should all of us look forward to the time when peace shall again bless us. Although this war must be continued to maintain the national honor, and I trust the flag will never be lowered while there is a rebel in any part of this country, yet we all hope for peace; we look forward to that good time when our friends and kindred shall again resume the ordinary occupations of life at home, and in peace. When that good time comes, if there are no notes outstanding except the notes of the United States, they would be converted into bonds, and we should have again the national currency of gold and silver coin. But, sir, if you allow your country during this war to be flooded with this paper money, when peace comes it will be like the peace with Great Britain in 1815: it will only bring to us a commercial war, in which all our interests will be involved; the people will be left with this immense paper issue upon their hands without remedy, and they will be compelled to lose the whole of it.

If there was no money in this country but United States bank bills, the process of funding would be going on day by day. Whenever there was too great an accumulation of these bills, they would be converted into bonds; the operation would go on quietly and silently. Sir, I say, by the authority of the Secretary of the Treasury, that it is his deliberate judgment, after watching this process with all his conceded ability, that but for the influence of this local bank paper he

would be able to carry on this war without the issue of more paper money ; that the currency now outstanding, and that which by law he is authorized to issue, would be sufficient to carry it on. Such a currency would lead to the conversion of the notes into bonds, and by this process the people would absorb a national loan and enable him to carry on the Government without any sacrifice to them.

Mr. President, you can see that the effect of local paper money is to prevent this process. What are the United States notes? They are based upon the credit of the whole people ; they are of general authority ; they are receivable in payment of all public debts ; they are made a legal tender in payment of private debts ; they may be converted at any time into six per cent. bonds ; they may be temporarily deposited on interest. They have all the privileges, all the securities which the faith of a great nation can give to them. They are eagerly sought for, everywhere taken. They are only driven out of circulation by the superabundance of an inferior issue. We know it is a principle in finance, that wherever there is an inferior currency, it will fill all the channels of circulation, and the superior will be hoarded. Why are gold and silver now hoarded? Because they are worth more than paper money. Why is United States paper money hoarded? Because it is worth more intrinsically than the local paper of the banks, which, after all, has only a local security and a local value ; and now all the channels of commerce are filled by this currency, which the laws of the United States forbid the Secretary of the Treasury from taking in payment of public dues. If a patriotic citizen now desired to aid the Government with a loan of \$5,000, he would have to sell at a discount or exchange the local currency which he has in his hands for United States paper, in order to enable him to loan that paper to the Government. I give it as my conviction, aided and supported by that of the Secretary of the Treasury, that but for this intermediate currency the gradual absorption of the national debt by the common people—the farmers, the men scattered all over our country—would go on rapidly and satisfactorily, sufficiently so, I think, to carry on the operations of the Government.

It may be supposed that the conflict between local bank paper and United States notes is imaginary, or of modern origin. Now, sir, to prove that I am not either original or peculiar in the views expressed, I wish to read from the writings of an eminent statesman, who certainly was not in favor of paper money. My idea upon this subject is exactly according to his, years ago ; and when I read these extracts from Mr. Jefferson, you will perceive that he, who during his whole life was so mindful of the rights of the States and so jealous of paper money, in brief and terse language designated the only way in which our country could carry on war, and that is the very way I have indicated in my remarks. I will read two or three extracts from the writings of Mr. Jefferson. In his letter to Mr. Cooper, dated September 10, 1814, just at the close of the war, he says :

The banks have discontinued themselves. We are now without any medium, and necessity, as well as patriotism and confidence, will make us all eager to receive Treasury notes, if founded on specific taxes.

Congress may now borrow of the public, and without interest, all the money they may want, to the amount of a competent circulation, by merely issuing their own promissory notes of proper denominations for the larger purposes of circulation, but not for the small. Leave that door open for the entrance of metallic money. . . . Providence seems, indeed, by a special dispensation, to have put down for us, without a struggle, that very paper enemy which the interest of our citizens long since required ourselves to put down, at whatever risk.

The work is done. The moment is pregnant with futurity, and if not seized at once by Congress, I know not on what shoal our bark is next to be stranded. The State Legislatures should be immediately urged to relinquish the right of establishing banks of discount. Most of them will comply, on patriotic principles, under the convictions of the moment; and the non-complying may be crowded into concurrence by legitimate devices.

Remember, this was written at a time when this local bank paper had become almost worthless; when it was worth far less than any local bank paper now is.

Again, in a letter dated March 2, 1815, he says :

But the circumstances of the war draining away all our specie, all these banks have stopped payment, but with a promise to resume specie exchanges whenever circumstances shall produce a return of the metals.

Some of the most prudent and honest will possibly do this; but the mass of them never will or can. Yet, having no other medium, we take their paper, of necessity, for purposes of the instant, but never to lay by us.

The Government is now issuing Treasury notes for circulation, bottomed on solid funds, and bearing interest. The banking confederacy (and the merchants bound to them by debts) will endeavor to crush the credit of these notes; but the country is eager for them, as something they can trust to, and as soon as a convenient quantity of them can get into circulation, the bank notes die.

I will also read another extract to show that this matter filled the mind of Mr. Jefferson. He says :

Put down the banks, and if this country could not be carried through the longest war against her most powerful enemy, without ever knowing the want of a dollar, without dependance on the traitorous classes of her citizens, without bearing hard on the resources of the people, or loading the public with an indefinite burthen of debt, I know nothing of my countrymen. Not by any novel project, not by any charlatanerie, but by ordinary and well-experienced means; by the total prohibition of all private paper at all times, by reasonable taxes in war, aided by the necessary emissions of public paper of circulating size, this bottomed on special taxes, redeemable annually as this special tax comes in, and finally within a moderate period—even with the flood of private paper by which we were deluged, would the Treasury have ventured its credit in bills of circulating size, as of five or ten dollars, etc., they would have been greedily received by the people in preference to bank paper.

Mr. President, I have shown you that under circumstances very similar to ours, when the banks had suspended specie payments, when the disparity between gold and silver and paper money was getting marked, Mr. Jefferson, in his retirement at Monticello, in private correspondence with his friends, with great sagacity pointed out the very mode to which we must now resort if we would maintain a national currency. We have already our United States notes precisely of the character stated by him, based upon taxes, based upon the credit of the United States. We have thrown around them all the guards possible. We have done just as he says we ought to have done. All that remains for us is by wise measures to induce the withdrawal of the

local circulation of the banks of the country, not by an arbitrary edict striking them dead or deranging the currency of the country, but by a tax, reasonable and moderate in itself, to be increased if policy dictates; and by a tax to drive at once out of circulation all fractional currency. This policy will confine the banks to that ordinary business of banking known among all the commercial nations of the world. If this is done by moderate and wise legislation, as Mr. Jefferson truly says, we may maintain this war until our flag floats from Louisiana to Maine, in every portion of our beloved country.

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## NATIONAL CURRENCY.

*IN THE SENATE, FEBRUARY 9, 1863.*

THE bill to provide a national currency secured by a pledge of United States stocks, and for the circulation and redemption thereof, being before the Senate, the following amendment was offered as an additional section by Mr. Powell:

*And be it further enacted,* That each and every banking association organized under this act shall be, and is hereby, required to keep in its vaults in gold and silver coin, at all times, an amount equal to at least one fourth of the amount of the notes it is authorized to issue.

After explanation of the section by Mr. Powell, Mr. Sherman said:

MR. PRESIDENT: When this bill was drawn, I did not expect that my friend from Kentucky would vote for it; nor did I expect that he would vote for any bill which required the banks which might be organized under it to pay specie from this moment, because, as he knows, that would be futile. His amendment would require these banks to keep twenty-five per cent. of gold and silver in their vaults. The bill as reported provides that they shall keep twenty-five per cent. in lawful money of the United States in their vaults. If the courts shall decide, as the Senator says they will, that the paper money of the United States is worthless trash, illegal and unconstitutional, then the phrase "lawful money of the United States" will mean gold and silver; and the bill will suit him as it is now.

But, Mr. President, while we are in war specie payments are naturally suspended, as they always will be and always have been in every country involved in a great war. They were suspended in England during her wars with Napoleon. Would it not have been singular if some man had stood up in the British Parliament, when during a long war specie payments were suspended, and the Bank of England notes were made the basis of currency, and had denounced the Bank of England paper as worthless trash? It would have been considered a very remarkable thing; and yet that is done now. The United States money, to which the faith of the United States is pledged, to which the faith of every State in the Union is pledged, to which all the property of the United States is pledged, is here denounced, in the Senate

of the United States, as worthless trash. And yet without this "worthless trash" we must submit to be overrun by armed confederates who are seeking to subvert the Government, and every man knows it. Every man knows—none better than the Senator from Kentucky—that without the issue of paper money it would be impossible to carry on the operations of the Government, and there would be nothing to prevent Jefferson Davis from encamping within sight of New York city. It is by the use of just such money that armies are formed in the South.

Is it not very strange that the Senator should denounce this paper money, necessary to be used to carry on this war, as worthless trash, and discredit the Government of the United States? It is very singular. As a matter of course, the amendment cannot be offered with any hope that it will be adopted. If it were adopted, it would be a defeat of the bill. None of the banks of the United States now pay gold and silver, nor can they; it is impossible; and therefore the amendment was moved, I think, not with much expectation that it would prevail, but to enable the Senator to announce as his opinion that the money of the United States—the notes issued by this Government—is worthless trash, unconstitutional and unlawful, and that therefore all the banks which might be founded upon it would be unlawful.

Sir, the very moment this war is over, the very moment our credit is good, the very moment the bonds of the United States are worth above par, that moment all these banks will be specie-paying banks, and every one of them will then be required to keep the very amount of specie in their vaults that the Senator provides for—that is, twenty-five per cent. of the lawful money of the United States. My hope is that Congress will never authorize the issue of more than \$400,000,000 of United States notes, and that these will be made the basis, during the war, of the currency of the country, and that by this bill the money of the people, through their banking associations organized all over the country, may be combined in support of the credit of the United States to make a safe and stable currency which will give us during time of war the best substitute possible for gold and silver. That, I believe, will be done. There are but two species of lawful money—one gold or silver coin, and the other the United States greenbacks, as they are called. During the war the greenbacks are necessary to carry on the Government, and necessary as lawful money. They are made so by the Government.

Mr. Collamer of Vermont gave his views in relation to the general character of the bill, and pointed out somewhat at length his objections to it. Mr. Sherman then said :

I shall detain the Senate but a few moments in replying to some of the observations of the honorable Senator from Vermont. There is no member of this body who is more attentively listened to, or whose opinions are entitled to more respect, than that honorable Senator. I always give to them the deference due to his position and his character, and I am always very sorry to find myself differing from him in opinion upon any point.

The Senator has commented upon the remark I made as to the opinions of the Cabinet. I simply said that the Secretary of the Treasury,

who had examined this bill in all its details, and who is charged with the administration of the Treasury Department, approved of it heartily; and that I also believed it had the hearty assent of every member of the Cabinet, and also that it had the assent of a great body of the people; that it was assented to by a large number of the banks whose interests might be affected by it, and that it was assented to by the great body of the people in the portion of the country from which I come. I merely alluded to them as a part of the people of the United States. The honorable Senator, however, seems, from the whole course of his argument, to have had only in view the interests of local banks and bankers. If he can refer to their interests, and appeal to us in eloquent terms to protect them from the doom that the sons of Jacob believed was about to fall upon Benjamin, and almost excite our sympathy to tears in view of the afflictions we are about to put upon them; if he can cite the opinions of those who have charge of them, surely I may cite the opinions of grave and honorable men who are charged with the responsibilities of administering the Executive Departments of the Government. It was not done with any view to influence our feelings, but simply to show that those men who had fully considered the subject gave this bill their hearty approbation.

The honorable Senator also tries to prove that under this system the banks cannot make any money. If that is so, the whole system will fall to the ground.

Mr. Collamer: I said they could not make money in my section.

Mr. Sherman: I think I could prove to the honorable Senator, if I should take the time to do so—but I will not—that they can make money. But if his argument is true, what then? This mammoth scheme, which is going to carry distress into the mountains and valleys of Vermont, will fall dead and harmless, impotent from the outset. That bankers can make a reasonable profit under this bill I have no doubt. They have the benefit of four per cent. on the bonds deposited by them. They have the benefit of interest on the notes given them for circulation. They have the benefit of exchange—not the rates of exchange formerly paid, but that incidental exchange which every bank charges in drawing a draft, probably a quarter or a half of one per cent. They have the profits they can make from deposits. They have other profits from the ordinary incidents of banking. I have no doubt that from all these various profits they will make what banks in ordinary times under specie payments could make—that is, seven or eight per cent. a year. The banks of the State of New York last year made twelve per cent. I have produced the official table to show it. They did it under the suspension of specie payments; and one half of the additional profits made by the banks during the suspension of specie payments would pay the onerous tax about which the honorable Senator complains. I say, therefore, if his argument is true, this whole banking system will fall to the ground, and no harm will be done; but I do not believe it to be true.

I will not now discuss the question of the taxation of the existing banks. That, the honorable Senator states, is the real objection he has to this whole scheme. He stated in the outset that but for that he

would not speak on the bill. That proposition to tax the existing banks is in another bill. We have two propositions, one coming to us from the House of Representatives, to which the Senator does not object; but the Committee on Finance thought it proper to propose as an amendment to that bill that a tax should be imposed on the old banks the same as is provided for the new. If the Senate deem that tax onerous, as a matter of course they will change it; but that bill is not now under consideration. I believe the tax of two per cent. is light enough; but that is for the Senate to determine. It has, however, no connection with this bill.

But, sir, the principal point made by the honorable Senator, and one most likely to influence the judgment of Senators, is this: he asks what benefit the United States derives from this arrangement, and he endeavors by argument to show that the United States derives no benefit. I would put to him this simple proposition: There are now \$167,000,000 of local bank circulation in the country. Suppose we can induce through their interests—I do not propose to do it by any arbitrary mode—the retirement of \$100,000,000 of this circulation, taking the smallest sum that will probably be used in the course of a year; suppose we can induce the banks to withdraw \$100,000,000 of their circulation, is it no benefit to the United States? Now, the United States get no benefit whatever from their circulation. The United States cannot receive it in their ordinary business transactions. It fills the channels of circulation to the exclusion of the greenbacks. Suppose we can induce the banks to withdraw \$100,000,000 of their circulation, and invest that much money in our bonds, and receive United States circulation, does not the honorable Senator see that we should derive a great advantage from it? That is the object of this bill. The object is, by appealing to the patriotism and the interests of the people and the banks, to induce the banks to withdraw their local circulation and convert it into a national circulation. If it fails, as a matter of course it does no harm. But suppose it succeeds, does not the United States derive a benefit from it? Certainly; because at once a demand is created for the purchase of \$100,000,000 of United States bonds. We are anxious to sell these bonds. They are now below par. The creation of a demand for \$100,000,000 will, as I showed yesterday, by the well-known and recognized laws of trade, probably create a demand for \$500,000,000. There is the benefit, there is the advantage we seek to derive. We shall make a market at once for the sale of \$100,000,000 of our bonds, and the additional market which is always created by making a demand for a particular commodity, which is equivalent at least to five times the amount of the real demand. The Government of the United States is willing to borrow money from the honorable Senator at six per cent., and pay the interest in gold coin. Any person who desires to loan money to the United States may receive six per cent. interest on it, and we are very glad to sell our bonds at that rate in this time of war; but to those who avail themselves of the privileges of this law we only pay four per cent., so that we save one third of the interest on the amount of our bonds used for banking; and more than that, we get a circulation which, by the laws of the

United States, may be used in the collection of our dues; and, in the ordinary operations of our Government, these banking agencies may be made useful and beneficial as depositories.

I have already stated the benefits to the Government; I stated them more fully yesterday, and will not enlarge on them now. The benefit derived to the Government is by making a market for its bonds, by having fiscal agencies throughout the United States, so that it may the more readily collect its debts, and by saving one third of the interest on the payment of its bonds, and by securing to the people of the country a uniform national currency which can be passed from hand to hand in all parts of the country without loss by exchange, deterioration, or alteration.

But the honorable Senator says that the power granted by this bill would render the Secretary of the Treasury a very dangerous person, or a very powerful person; probably that is the meaning. He says that this bill would create a dangerous political power. According to all experience, if you invest in any particular person the power to appoint men to office, or the power to manage banks or control a scheme of this kind, it rather weakens him by the well-known law that he disappoints more than he benefits. Sir, it will be a dangerous power in one sense—not to the American people, but it will be dangerous to the individual who exercises the power. If you confer upon the Secretary of War or the Secretary of the Treasury the power to appoint twenty clerks, as we did the other day, there are five hundred applicants at once; and you disappoint four hundred and eighty and make them enemies for the sake of gaining twenty friends. No, sir; the administration of patronage, the power to select depositories, all the power conferred by this bill, the power of visitation—all these are powers which tend rather to decrease the influence of the Secretary of the Treasury, because they are more likely to make him enemies than friends. But the Senator says that the Secretary of the Treasury has power by distributing the stock to exercise great influence.

It is true that the bill is not so specific as it might be. One half must be distributed according to population, the other half according to bank capital and resources. I have before me now a table showing the distribution that is made to each State by the terms of the bill as it is understood and construed. There is no discretion about it, and the clause was put in for the purpose of taking away from the Secretary of the Treasury discretionary power. Under the bill as it originally stood there was no limit; the \$300,000,000 could be assigned to any State or to any portion of the country; but in order to secure to every State and to every Territory and to this District its fair and just allotment of this banking capital, if there is any benefit to be derived from it, the principle was introduced by the Committee on Finance that one half was to be apportioned according to population, and the other half according to the present banking capital and resources. Why was this done? In a new State, or even in a State so old as Ohio, our capital is far less, in proportion to our population, than the capital of the New England States; they are older and richer. The accumulation of ages has gathered wealth in New England, and has not yet gathered it in



Ohio. Therefore we did not apportion this banking capital among the States according to population merely, but one half according to population, so as to secure all something, and one half according to the present banking capital. It was done for the very purpose of placing it in the power of the local banks, about which so much complaint has been made, to absorb a portion of this capital and convert their State agencies gradually into national agencies.

To go back again—for I have answered nearly all the objections I desire to answer—the honorable Senator says that this bill destroys the State banks, and he endeavors to excite our sympathies for them. It does not affect the right of a single bank. It does not impair its property; it does not affect it in the least. Under the provision offered by the honorable Senator from New York [Mr. Harris], and also under the amendment reported from the Committee on Finance, there is not the slightest difficulty to hinder any of the existing banks, without any collection of debts, from gradually putting themselves under the operations of this law; and, indeed, under the amendment offered by the Senator from New York, they can avail themselves of the benefit of this law without surrendering their State organization, if only the State will consent; but, even if they will not do that, they are perfectly free to go on in the banking business. The banks of the State of Vermont may yet aid her volunteers; they may do all they have done to the good people of that State; they may help to carry on the operations of the Government just as they have done, except this—that in consideration of the fact that during this time of war they do not pay specie for their notes, we think they should pay a portion of their excess of profits to the United States, and we propose to levy two per cent. If the honorable Senator can show to the Senate that that is too high, as a matter of course he will have his own way; it will be lowered; and if he makes many pathetic speeches—as pathetic as that he made to-day—perhaps he will carry his point. I think two per cent. is little enough under the circumstances, when banks do not pay their notes in gold and silver. It is believed that this two per cent. can be put on the new banks, because, as it is said, they derive privileges from the United States, and can afford to pay two per cent., and therefore I was in favor of imposing that tax on them. This does not destroy the State banks. I hope, however, that in the end all those banks will be induced, by the benefits conferred by this general system, by the national objects to be obtained by it, by the well-known patriotism of the people among whom the banks are located, to gradually change their local system, so that we may have one national currency, based on the public faith and on the security of private individuals. There are no compulsory features about this bill; it is nothing but a voluntary offer to any one who chooses to engage in banking.

But—this is the first objection with which the honorable Senator starts out, and it is the last I will answer—he says the operation of this bill will withdraw capital from the operation of State taxation. So it will; and to that extent it will be of great national service. By the present laws, and by the Constitution indeed, a State has no power to tax money invested in United States bonds. We have a right to

borrow money, and a State cannot interfere with that right by taxation. We have that clear right to borrow money, and a State cannot interfere with it. Under our laws, the State of Vermont cannot now levy a tax upon the capital in Vermont invested in the bonds of the United States. I cannot state how much, but I have no doubt that the very loyal people of Vermont have already purchased a large amount of these bonds; I do not know to what extent. The banks themselves and individuals, I have no doubt, are the holders of these very bonds. That capital is not taxable by the State of Vermont. We only propose that they shall hold a certain portion of it in proportion to their circulation, and deposit it with the Treasurer here, and upon it receive United States notes. The exemption of money invested in bonds of the United States from State taxation is one of the inducements we hold out to the people to buy the bonds, and is not an objection to the system. The bonds will be free from State taxation, whether they are deposited here or whether they are among the people. If they are deposited here, the United States takes two per cent. off. If they are among the people, we do not tax them at all. The operation of this bill is to bring the tax into the National Treasury without taking a dollar from the States.

Sir, I do not believe that there is anything in this scheme so mischievous and dangerous as the honorable Senator seems to think. It may, although I do not think it will, affect a little the operations of local banks, if they should attempt to come into it too hastily. The new associations may be, and probably will be, first organized in the large cities. I know, sir, from the position I have occupied in connection with the bill, that many capitalists who are now holders of the United States bonds, and who will purchase other bonds, will go into this scheme of banking in the large cities, in the State of Ohio, and in several other States. I have no doubt, and I venture my prediction with great diffidence against that of the honorable Senator, that within six months from this time, during which we are certainly not likely to have peace, fully \$50,000,000 of the bonds will be withdrawn from market, and deposited here at the Treasury, thus making way for another \$50,000,000; and to that extent United States notes will be issued, in place of the local bank currency. This currency will gradually, quietly supersede the local money, without effecting or deranging any of the ordinary operations of life.

The honorable Senator seems to think that the winding-up of these State banks will be a direful calamity. Every twenty years they are wound up. The experience of this country has shown that in twenty years the whole banking circulation is lost in the hands of the people; statistics show it. In 1815 nearly the whole of it was swept away. How many banks survived the panic in those times? They are wound up by the losses and by the incidents of the banking business and by bankruptcy; but ordinarily they are wound up by the States. In Ohio our banking laws extend to but twenty years. I do not know whether that is the case in New England or not; but in Pennsylvania, New York, and I believe in many of the States, the duration of a bank is but for twenty years. It cannot live longer. Here we provide a way by which these banks may, at their own pleasure, taking their own time

as they choose, gradually pass from one system into the other without disturbing or deranging any of their relations. They need not collect their loans, they need not change their discounts; their ordinary operations may go on.

I again appeal to the Senate to show me a better system before this is destroyed. I endeavored to prove yesterday that there is no power to limit the issue of the paper money of the Government unless by the sale of bonds and furnishing a market for them; and you cannot convert them into money rapidly enough to carry on the Government without the benefit of some such agencies as are provided by this bill. The advantage of this whole system is that if it fails no harm is done. If it succeeds it cannot succeed except by securing the purchase of United States bonds, and that is just the very thing we wish now to accomplish. I therefore do regard this measure as of the highest importance to maintain the national credit, furnish a market for our bonds, furnish our people with a national currency; and I see in it none of the dangers to which the honorable Senator adverts.

This bill became a law February 25, 1863.

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## NATIONAL BANK CURRENCY.

*IN THE SENATE OF THE UNITED STATES, FEBRUARY 10, 1863.*

THE special order of the day being the bill to provide a national currency, secured by a pledge of United States stocks, and to provide for the circulation and redemption thereof, Mr. Sherman said:

MR. PRESIDENT: The importance of the subject under consideration demands a fuller statement than has yet been made of the principles and objects of this bill. I wished to avoid the labor of discussing the subject; but its discussion seems to be necessary. I shall endeavor to condense what I have to say, for I know the time of the Senate is precious, and I desire to get a vote on this bill, if practicable, to-day.

It is the misfortune of war that we are compelled to act upon measures of grave importance without that mature deliberation secured in peaceful times. We are now to act upon a measure that will affect the property of every citizen of the United States, and yet our action for good or evil must be concluded within the few days or weeks of this session. We are about to choose between a permanent system, designed to establish a uniform national currency based upon the public credit, limited in amount, and guarded by all the restraints which the experience of men has proved necessary, and a system of paper money without limit as to amount, except for the growing necessities of war. In the consideration of such a question we surely should sacrifice all local interests, all pride of opinion; and, while acting promptly under the pressure of events, we should bring to our aid all the wisdom of united counsels, and all the light which the experience of former generations of men can give us.

It is fortunate that the scheme presented is not novel either in its principles or details; nor is it presented to us at this session for the first time. In December, 1861, the Secretary of the Treasury briefly but clearly stated the outlines of the system proposed, and a bill similar in its main provisions to the one under consideration was introduced in the House of Representatives at the last session. It was not then much discussed, because of the greater demand for military and naval measures, and the necessity of an extensive and novel law of internal taxation.

But while we were thus engaged, this system was discussed among those whose business made them conversant with finance and currency; and, sir, I may safely say that, though it ran counter to the local interests of those engaged in the business of banking, it has steadily gained in favor with all classes of our citizens.

The subject was again presented to us at greater length and with more urgency by the Secretary of the Treasury in his recent annual report, in which the arguments for and against the system are ably discussed. The bill has been published in various forms and extensively circulated, so that opinions on the subject have been canvassed and weighed by all those who take an interest in it. It only remains for Congress to determine whether it shall become a law.

It must be remembered that this bill is taken up when our financial condition is not the most favorable. Gold is at a premium of between fifty and sixty per cent., and is substantially banished from circulation. We are in the midst of war, when the necessities of the Government require us to have large sums of money. We cannot choose as to the mode in which we shall get that money. If we pursue the ordinary course, the course that has been sufficient in times of peace to raise money, of putting our bonds into market and selling them for what they will bring, it would be at a great sacrifice. We know this from the history of other nations and from our own experience. We, therefore, must look to some system of finance that will give us all the aid possible either in the form of paper money or by the agencies of associated banks. We know very well that after this war is over, the Government will still be largely in need of money; that when the rebellion is subdued, the condition of society in the Southern States will be disturbed; that it will be necessary to maintain for some time considerable armies in order to preserve peace; and that in any aspect of affairs this Government must undertake responsibilities and incur debts and liabilities of which we have had no example in our previous history.

The financial measures heretofore adopted are necessary to be considered before I proceed to examine the features of this bill. After the war broke out we were able to borrow money upon the credit of the United States until December, 1861. The amount of demand notes previously issued was comparatively small. In December, 1861, by the suspension of specie payments gold was withdrawn from circulation, and there was nothing left but the paper of local banks, which by the laws of the United States could not be used in Government transactions. We were then in the peculiar condition of a nation involved in war without any currency whatever which by law could be used in

the ordinary transactions of the public business. Gold was withdrawn by the suspension of specie payments; the money of the banks could not be used because the laws of the United States forbade it; and we were without any currency whatever.

Under these circumstances Congress wisely authorized the issue of a considerable sum of United States notes. That this measure was wise but few will controvert. We were compelled by a necessity as urgent as could be imposed upon any legislature to issue these notes. To the extent to which they were issued they were useful. They were eagerly sought by our people. They were taken by our enemies in the South, by our friends in the North. They were taken in the East and in the West. They furnished the best substitute for gold and silver that could then be devised; and if we would limit the United States notes to the amount now authorized by law, they would form a stable and valuable currency.

But, sir, we know, not only by our own experience, but by the experience of other nations, that when a government issues paper money in very large amounts, and without connecting it in any way with the private operations of the people, it inevitably depreciates, and, if carried to excess, deranges the values of all property. Still necessity presses us for money, and most of the great nations of modern times have during war been compelled by necessity to resort to some form of paper money. It has always been the most difficult problem of war to maintain the Government's credit and yet to procure the very large sums indispensable for its prosecution. We have but four expedients from which to choose: first, to repeal the Sub-Treasury act, and use the paper of local banks as a currency; secondly, to increase largely the issue of United States notes; thirdly, to organize a system of national banking; or, fourthly, to sell the bonds of the United States in the open market.

Some three or four weeks ago I discussed at some length the propriety of a repeal of the Sub-Treasury clause, as it is called, and endeavored to show that local banks cannot be made to furnish a national currency. The losses in various ways from the use of their money, its deterioration in value, the want of security, the want of uniformity, and many other objections to that paper money, make it inexpedient to resort to it. United States notes are in every respect a better form of currency than bank paper; but we have to examine now the objections that may be made to the further use of Government paper money. These objections are briefly but very plainly stated by the Secretary of the Treasury. I will read them:

The principal objections to such a circulation as a permanent system are: 1, the facility of excessive expansion when expenditures exceed revenue; 2, the danger of lavish and corrupt expenditure, stimulated by facility of expansion; 3, the danger of fraud in management and supervision; 4, the impossibility of providing it in sufficient amounts for the wants of the people whenever expenditures are reduced to equality with revenue or below it.

The danger of over-issue is constantly pressing upon us. It is shown by the experience of other nations, and its effect in inflating values is felt by every one. The mere introduction of a bill in the

House to authorize the issue of \$300,000,000 additional United States notes operated like magic. I have here a statement showing the effect of this proposition. On the day that bill was introduced gold commanded a premium of thirty-six and a half per cent. The next day it rose to thirty-eight; within three days it rose to forty-one; on the 15th of January, six days afterward, it rose to forty-eight and a half; and from that time to this it has been continually rising. It did not suffer a decline until there was a disposition evinced in the Senate to check the over-issue of this kind of paper money. We have here a striking illustration of the effect of even a proposed over-issue of this paper money. In one week it changed values over ten per cent., and in three or four weeks it changed them nearly thirty per cent. The proposition of the Senate to check this over-issue at once reduced it some four or five per cent. I have no doubt the passage of the bill reported from the Committee on Finance will still further reduce the relative value of gold.

Another effect of an over-issue of paper money is to increase the compensation of employees. The expense of living is now considerably greater than before the war. We have had more propositions within the last month to increase the salaries of officers than we had within the two years preceding. It is now said by nearly every clerk in the Departments, by nearly every officer in Washington, by nearly every officer of the Government, that his salary is inadequate to pay his expenses. We find our expenses are largely increased by the deterioration of paper money. This deterioration will go on as it has gone on in the history of other nations, unless Congress check it by stopping further issues. Over-issue increases the expenses of the Government in various ways. The price of provisions and clothing is increased; and all the money that we now borrow to defray the expenses of the Government, and all the increased expense occasioned by this inflation of prices, must be paid eventually by the people of the United States with compound interest in gold.

Another practical objection to these United States notes is, that there is no mode of redemption. They are safe, they are of uniform value; but there is no mode pointed out by which they are to be redeemed. No one is bound to redeem them. They are receivable, but not convertible. They are debts of the United States, but they cannot be presented anywhere for redemption. No man can present them, except for the purpose of funding them into the bonds of the United States. They are not convertible; they lack that essential element of any currency.

Another objection is, that they can only be used during the war. The very moment that peace comes, all this circulation that now fills the channels of commercial operations will be at once banished. They will be converted into bonds; and then the contraction of prices will be as rapid as the inflation has been. The issue of Government notes can only be a temporary measure, and is only intended as a temporary measure to provide for a national exigency.

Another serious objection to these notes is, that they are made the basis of bank issues. Under the operation of the act declaring them

to be a legal tender, the bank circulation has increased from \$120,000,000 to \$167,000,000. The banks have sold their gold at a large premium, and placed in their vaults United States notes with which to redeem their own notes. That cannot be avoided. As we have made them a legal tender, banks are bound to take them in payment of debts due to them, and they therefore have the right to hold them to pay their debts with. The consequence has been that, while the Government has been issuing its paper money, some of the banks have also been inflating the currency by issuing paper money on the basis of United States money. This inflation may be illustrated by the statement of a bank in Pennsylvania, sent to me with a view to show how much tax it would have to pay under the bill reported from the Committee on Finance. It has a capital stock of \$200,000, and a circulation of \$589,600; there was due to depositors \$55,125; profit and loss, \$36,294; and to other banks, \$23,959. The circulation is \$589,600. Now, what have they got to pay it with? Gold and silver coin, \$18,326, not one thirtieth part of the circulation; bills and checks, \$27,128; banking house and lot, \$4,000; due from other banks, \$146,879. The assets on hand would but little more than pay depositors and current debts to banks, leaving the whole circulation secured by loans and discounts. The whole of that circulation has no other basis except loans and discounts, and the circulation is three times the amount of the capital stock.

It is very easy to prove that such a system of banking is a bad one, and would destroy and demoralize any country. There is no basis for it except loans and discounts; and we know by experience that they cannot be drawn in rapidly enough to redeem a circulation. I have no doubt that the statement sent me of this bank is only an illustration of many more. Indeed, I have looked at the published statements of some of the banks of New York, Pennsylvania, and other States, and many of them show the same inflation—a bank circulation without any basis whatever except loans outstanding, which cannot be called in rapidly enough to liquidate it.

The practical difficulty is, how to check inflation by banks. The attempt to do so by taxation has given rise to nearly all the objections to this banking system. How can over-issues by banks be checked? If Senators can point out any way in which this can be done, I should be very glad to adopt it. But there is no way. It has been proposed to tax them two per cent., or one third of their profits on the circulation; and we know what an opposition this has created, although I believe that the tax is entirely defensible. There is no tax in this bill on local banks; local banks are not mentioned in it, except that they are required to make certain reports, which they can readily do without any trouble.

There is but one other mode proposed to check this increase, but I would not assent to it because it is too harsh. Under the provisions of our laws, United States notes are made a legal tender in the payment of debts. We might, if we choose, except banks from the operation of that provision; but I believe that would be harsh and unjust, because, as we require them to receive these notes in payment of debts due to

them, it would be very unjust for us to require them to pay out anything else but United States notes for their own notes; so that the issue of United States notes by the Government and the making them a legal tender, both of which measures were clearly necessary, have been the encouragement and basis of an inflated bank circulation in the country, and there is no way to check this except by uniting the interest of the Government, the banks, and the people together by one uniform, common system.

It would be very easy for me to prove that during war local banks are the natural enemies of a national currency. They were in the war of 1812. Whenever specie payments are suspended, the power to issue a bank note is the same as the power to coin money. If you give to an individual or a corporation the power to issue his note as money at a time when he is not restrained by the necessity of paying in gold and silver, you give him practically the power to coin money. Napoleon, in the midst of his campaign at Austerlitz, complained that this power existed in the Bank of France, and insisted that it should be restrained. I may say that there is not a single difficulty we are now encountering in the finances of this Government that has not been discussed and encountered in France and England during the long wars of the French Revolution. Napoleon, in a letter which I find in the fifth volume of Bignon, in speaking of the power granted to the Bank of France to issue paper money when specie payments were suspended, says:

The evil originates in the bank having transgressed the law. What has the law done? It has given the privilege of coining money in the form of paper to a particular company. But what did it intend by so doing? Assuredly that the circulation thus created should be based on solid credit. The bank appears to have adopted a most erroneous principle, which is to discount to individuals, not in proportion to their real capital, but to the number of shares of its capital stock which they possess. That, however, is no real test of solvency. How many persons may be possessed of fifty or a hundred such shares, and yet be so embarrassed that no one would lend them a single farthing! The paper of the bank is thus issued in many, perhaps a majority of cases, not on real credit, but on a delusive supposition of wealth. In one word, in discounting after this manner the bank is *coining false money*. So clearly do I see the dangers of such a course, that, if necessary, I would stop the pay of my soldiers rather than persevere in it. I am distressed beyond measure at the necessities of my situation, which, by compelling me to live in camps and engaging me in distant expeditions, withdraw my attention from what would otherwise be the chief object of my anxiety, the first wish of my heart—a good and solid organization of all that concerns the interest of banks, manufactures, and commerce.

Surely, when Napoleon was so jealous of the power of the Bank of France, as William Pitt was of the Bank of England, which were institutions of a national character, under the control of the national legislature, and carefully watched by executive power, to coin money, or, which is the same thing when specie payments are suspended, to issue paper money, we should be jealous of the power exercised by a multitude of local banks chartered by twenty-eight States, whose issues are not secured by any uniform standard and are not restrained by the obligation to redeem in coin.

This idea expressed by Napoleon Bonaparte embodies the real objection to bank paper money issued in time of war when specie payments



are suspended. It is a power that ought never to be exercised except by the Government, and only when the State is in danger. It is the power to coin money; because when a bank issues its bill without the restraint of specie payments, it substantially coins money, and false money. Sir, this is a privilege that no nation can safely surrender to individuals or banks.

Mr. Burke says that the revenue of the State is the State, and the currency affects and controls the revenue. Now, sir, under our present system we cannot receive the revenue in the currency common among the people. Local banks beyond our power regulate the currency established by the Government. We cannot have a good currency until these banks are reduced to a common system. Upon this point, I venture to refer to an authority which I do not like to quote, because it is not friendly to our country; yet it is a paper conducted with eminent ability—the “London Times.” In a recent article on the subject of this bill, it says:

By the want of a paper currency that would be taken in every State of the Union at its nominal value the Americans have suffered severely. The different States were, as to their bank notes, so many foreign nations, each refusing the paper of the others, except at continually varying rates of discount. Frequently there was a greater loss on paper taken or sent from an Eastern to a Western State than on English bank notes converted into Austrian money in Vienna. Only adepts and regular money-changers could tell whether a note was current or not, the paper of broken or suspended banks remaining in circulation long after their value had departed. The Federal Government avoided loss by refusing all paper of every kind. Its import duties were taken only in gold, and inland revenue it had none. The first appearance of a department for collecting that kind of taxation is in the present bill proposed by Mr. Chase. But the difficulties of the Government have compelled it to issue a paper that will pass current in any part of the territory. Through the evils of war the people will at least gain that deliverance from the previous confusion of their currency which to Europeans appeared a barbarism. If the social storm sweeps away the “wild-cat” and “bogus” banks of the Union, it will have left some small compensation for the wreck of better things. The best part of Mr. Chase’s plan is the suggestion that will probably excite the least attention.

Sir, while I believe that no system of paper money should depend alone upon banks, I am far from objecting to their agency. They are useful and necessary mediums of exchange, indispensable in all commercial countries. The only power they derive from incorporation, not granted to all citizens, is the power to issue notes as money, and this power is not necessary for their business or essential to their profit. Their business connects them with the currency; and whether it be gold or paper, they are deeply interested in its credit and value. Is it not then possible to preserve to the Government the exclusive right to issue paper money, and yet not injuriously affect the interests of the local banks?

This is the object of this bill. But it is asked, why look at all to the interests of the banks? why not directly issue the notes of the Government, and thus save to the people the interest on the debt represented by the notes in circulation?

The only answer to this question is, that history teaches us that the public faith of a nation alone is not sufficient to maintain a paper currency. There must be a combination between the interests of private

individuals and the Government. As this is an important principle, I venture to refer more fully to examples of depreciated Government paper money.

Our Revolutionary currency, Continental money, depreciated until it became worthless. I have here a table showing its gradual depreciation. When it was first emitted, June 23, 1775, it was at par with gold. The last issue of \$10,000,000 on the 29th of November, 1779, sold for \$259,743, or as one to thirty-eight and a half, and afterward it went down in the hands of the people. Over \$380,000,000 of Continental scrip were issued. The first issue was good. If our Revolutionary fathers had been able to confine the amount to something like ten or twelve millions, which would have been about the same proportion as \$500,000,000 to our present condition, it would have maintained its credit, and would have been redeemed by the United States. So it was with the assignats of France. They were issued at first based upon the national domain, amply secured, but they declined at a fearful rate as the issue increased. I will read a short extract to show the precise history of those Government assignats, to warn Senators against treading the same downward course :

In April, 1790, when the assignats were first circulated, their amount was stipulated at 400,000,000 francs (between fifteen and sixteen millions sterling); in September following their issue was extended to 1,200,000,000; in January, 1793, they amounted to 3,626,000,000; in September, 1794, to 8,817,500,000; in 1795, 9,699,500,000; and lastly, in September, 1796, to 45,579,000,000 francs, a sum far too enormous to be expressed even in British money, were not all degrees of comparison lost in the extent of the amount. At the period of their ceasing to constitute part of the currency of France, an assignat of 100 francs (about £4) was exchanged for three and a half sous (about 1½d. sterling) in specie.

The issue of assignats was sustained by the same arguments that we hear now in favor of a continuous and unlimited issue of paper money. Precisely the same kind of arguments were enforced with all the power and eloquence of Mirabeau; and yet all these assignats depreciated from the very date of his speech, day after day; and on every fresh issue they went still further downward and downward. The very moment you pass beyond the amount necessary for a circulating medium, at that very moment the depreciation will commence, until it destroys the standard of values and all the rights to property.

In Austria the same effect was produced. The *Wiener Währung* of that country passed through the same history of depreciation as the assignats of France, showing an invariable law which cannot be disregarded by any nation. This country can maintain an issue of about \$400,000,000 of United States demand notes, and no more; and when you go beyond the proper limit—a limit fixed by the laws of finance, which are irrevocable—that moment you endanger your whole system. As a matter of course, you must during a time of war issue a certain amount of paper money as the basis of circulation or banking; but that amount must be limited by the demand for a circulating medium.

Mr. President, I have thus endeavored to show that Government paper money, unsupported by private capital, cannot be maintained as a currency in time of war. I have also endeavored to show, and did

show on a former occasion, that the issuing of notes by a diversity of private banks under State authority, and unchecked by specie payments, is inexpedient, destructive, and, in my opinion, unconstitutional. The two systems cannot exist together. They will inevitably induce inflation and ultimate bankruptcy. A good national currency as a substitute for gold and silver can only exist by combining the two systems; so that the Government may issue notes of uniform nature properly secured, and the banks may redeem and maintain their credit.

I have a very curious diagram here that can only be instructive by being seen. It purports to be a diagram showing the progress of bank capital, bank circulation, bank deposits, and bank loans in different periods of our national history. It shows very clearly that the very moment the circulating medium of the country passes beyond the true boundary line, that very moment everything else is inflated in proportion—loans, discounts, and deposits; and this inflation goes on rapidly until some sudden unforeseen event checks the whole system, and it falls like a bubble to the ground. We were instructed in our boyish days by diagrams showing the height of mountains and the length of rivers; but this diagram is more instructive than any of that class. It shows that in 1837, the first period of inflation in this country since 1815, the loans and discounts rose to the enormous sum of \$540,000,000; the bank circulation rose to something like \$340,000,000. This was after the Bank of the United States had ceased to exist. Everything else became inflated; and within one year from that time there was a general collapse and disaster all over the whole country; the price of everything fell; and the great body of this currency fell dead on the hands of the people and was lost. Much of the deposits of individuals in the hands of the banks was also lost; and more than one half of all the paper money then in circulation was substantially worthless to the community. The rapid change from a high period of inflation to a serious depression was almost as rapid as the rise of prices. In 1857 the same rise occurred, but to a limited extent. The loans and stocks had then risen to \$740,000,000, mostly on railroad securities. The collapse of a bank in the State of New York, the Ohio Life Insurance and Trust Company, at once created a derangement in all financial matters, and there was then a term of great depression; so that within a single year the loans of the banks were reduced from \$740,000,000 to about \$620,000,000, and the circulation and everything else accordingly.

Mr. President, we are already in a period of great inflation. The Government of the United States has either in circulation or has authorized now nearly \$400,000,000 of United States notes. We have a bank circulation of from one hundred and sixty to one hundred and seventy millions. If we adopt the proposition which is sent to us from the House of Representatives to go on increasing our circulation by the issue of three hundred millions more, it will create an inflation that will inevitably lead to the derangement of all the business affairs of the country. We must check it; we must put a stop to it. Whatever may be the hazards, we must check this over-expansion and over-issue. If you authorize that issue of United States notes, it will be

at once followed by an issue of more bank paper, and then we shall have the wildest speculation. Hitherto the inflation has not extended to many articles. Real estate has not yet been much affected by it; clothing is somewhat higher, but most articles of provisions still maintain their equilibrium. The wild lands of the West, which in 1837 were worth from fifteen to twenty dollars an acre, were one year afterward reduced to Government prices. They will again become inflated, and every kind of business will be damaged and disorganized. I say it is a danger before which a lost battle sinks into insignificance; and if we permit this inflation to go on, we shall do our country a greater harm than the Confederates can possibly do by defeating any one of our armies.

The question then occurs—the only one, indeed, which is at all practical to this discussion—whether the bank bill proposed by the Secretary of the Treasury, and introduced by me in the Senate, will tend to secure us a national currency beyond the danger of inflation. The amount of circulation limited by the terms of this bill is \$300,000,000. I think any one who will read this bill with candor will find that beyond all contingency the currency proposed to be issued under it is safe. It is first secured by the bonds of the United States; a margin of ten per cent. is left for depreciation; and then in case of further depreciation the Secretary is authorized to call for the deposit of a greater amount of bonds. While the depreciation under par exists, no interest can be paid upon these bonds, but it is held in the hands of the Secretary of the Treasury for redemption. Besides that, the banks have to keep on hand twenty-five per cent. in lawful money. It is proposed to make that gold and silver; but that is perfectly futile and impossible now. The bank bill requires that twenty-five per cent. of the deposits and the circulation shall be kept on hand, so that the note-holder will first have the security of the bonds of the Government and a margin for depreciation; he will have twenty-five per cent. of the amount of circulation always on hand in the bank; and, in addition to that, the first lien on all property of the bank. The Government would have a lien for all the deficiency upon all the property of the bank; and in addition to that it would have the responsibility of the banker himself to the amount of twice the capital stock. There is not in this country any scheme of banking which secures the note-holder more perfectly than this. First, he has the credit of the United States by its bonds and by its guarantees; to guard against deficiency he has the deposit of one fourth the amount in bank; he has the individual liability of the stockholders to a limited extent; and he has the first lien on all the property of the bank, including the deposits. It is impossible, therefore, to make a system more safe than this will be.

Will this money be convertible? The United States notes are not convertible; that is, there is no one to pay them on demand. These bank bills are convertible. When they are presented at the counter, it is the duty of the banker at once to pay them promptly in lawful money of the United States; and that money is to be restricted to the amount of the present issues, or to the \$50,000,000 additional authorized in this bill. They are convertible at any time.

This currency will be uniform. It will be printed by the United States. It will be of uniform size, shape, and form; so that a bank bill issued in the State of Maine will be current in California; a bank bill issued in Ohio will be current wherever our Government currency goes at all; and a bank bill issued in the State of Connecticut will be freely taken in Iowa or anywhere else. There is no limit to its convertibility. I have no doubt these United States notes will, in the end, be taken as the Bank of England note now is all over the world, as a medium, and a standard medium, of exchange; not, it is true, during the war, but after peace shall again bless us. These notes will then be the very best currency that can be issued. They will be safe; they will be uniform; they will be convertible. Those are all the requisites that are necessary for any system of currency or exchange.

Now, Mr. President, let us see and examine a little more accurately the advantages the Government will derive from this system; because, unless it is to derive some benefit, the system ought not to be pressed. I take it as an axiom that the United States should not issue notes to an amount greater than sufficient to fill the vacuum created by the withdrawal of gold, the amount of present issues. What benefit, then, does the United States obtain from this system? The first benefit is, there is a market furnished for the bonds. These banks must furnish ten per cent. more of the bonds of the United States than they receive in paper money. This at once, if the full amount is issued, which I do not anticipate within a year, will furnish a market for over three hundred and thirty million dollars of bonds; and we know very well, by the laws of demand and supply, that where a demand is made for a given article the demand extends far beyond the particular want. For instance, if there is a demand in England for ten million bushels of wheat, that demand affects the price of one hundred million bushels in this country; so that the increase in the price of wheat growing out of this unexpected demand for wheat is more than twice or threefold the value of the wheat that is demanded. You make a fixed and permanent demand for United States bonds used for banking purposes, and you give a credit to \$1,000,000,000 of bonds. That is the law of demand and supply. The very demand for these bonds, owing to the necessity for capitalists to keep them to base their banking upon, will make them a desirable security. When a banker wishes these bonds, other persons will wish them. Every demand you make for them increases largely the value of the security.

I have no doubt—indeed I know—that within a very short time after this system is in operation, banks will be started. I know that then there will be a demand for bonds. Many of the bonds that are now outstanding will be absorbed for banking purposes, and others will be demanded. Sir, you cannot carry on this war except by the sale of your bonds. Any ingeniously contrived system to carry it on by paper money in the form of currency will be futile. Then you can only carry on your operations, as an individual or a nation, by the sale of your bonds or the use of your credit. If you have not got the money, you must borrow it; and all other schemes are idle. You may, it is true, furnish a limited amount in paper currency. When you go one

step beyond that limit fixed by the laws of finance and commerce, then you destroy the value of that which you use as currency. Your power to borrow goes on indefinitely. Your business, therefore, is to make a demand for your Government securities, and thus induce the investment of the money of the people in the bonds of the United States.

Why, sir, there is in this country an ample supply of capital for all purposes. Our annual productions are shown by the census to be \$1,900,000,000 a year. The aggregate wealth of this people is over \$12,000,000,000. The actual capital that is now in the hands of the people, seeking and begging for investment, would carry on this war for years. There is no want of capital. It is a want of confidence, a want of system; a fear that that which the people have will fall suddenly on their hands utterly worthless. That is the real danger. This bill furnishes a market for your bonds and your securities—that credit by which alone you can carry on a Government in time of war.

But, sir, that is not all. It will furnish a medium by which the State bank paper may be gradually absorbed—not by any harsh measures. Some of the friends of local banks think this is a great scheme to break down local banks. Why, sir, as I shall show you before I am through, it is clearly the interest of every local bank of the United States to avail itself of the provisions of this law. It will no doubt operate gradually to absorb the local banks, to retire their issues by substituting in their place an issue that will be safe, uniform, and convertible in all parts of the country. I believe this system, if it has a fair trial, a fair experiment, will gradually absorb all the State banks, without deranging the currency of the country or destroying the value of the property of stockholders in banks.

Not only that. This scheme will furnish a convenient agency for the collection of taxes. You have now in this country collectors and assessors scattered all over the country, in every district, and the people are compelled to pay taxes. What is the medium by which they are to be paid? At present the only one is what are called greenbacks, United States notes, and these notes are forced out of circulation by the superabundance of bank paper; so that a person who desires to pay taxes is compelled to go into the market to obtain first United States demand notes by the sale or conversion of his bank paper. This will furnish a convenient medium by which the taxes may be paid; and as these banks will gradually extend themselves all over the country, they will be made the convenient depositories of the public money. As it is now, every collector is bound to take what paper money he gets, and hold it in his hands subject to all risks. He dare not, under our laws, deposit it with banks. He runs all the risk of fire and accident; and all the money he may have on his hands he is responsible for. He has no safe where he can deposit it. The United States Government does not furnish a safe, and it forbids him to deposit in banks. Under this system all the money of the United States may be safely deposited in banks, and the deposit will be secured by Government bonds, so that there can be no loss.

But there is another reason in favor of this measure. It will make a community of interests between the stockholders of banks, the people,

and the Government. At present there is a great diversity of interests. The local banks have one interest, and the Government has another. They are brought into conflict. But, sir, by the passage of this bill you will harmonize these interests; so that every stockholder, every mechanic, every laborer who holds one of these notes will be interested in the Government—not in a local bank, but in the Government of the United States—whose credit he will be anxious to uphold. If this system had been spread all over this country, and these banks had been established as agencies upon the basis of national credit, I believe they would have done very much indeed to maintain the Federal Government and to prevent the great crime of secession.

But, sir, there is a still higher motive for the passage of this bill. It will promote a sentiment of nationality. There can be no doubt of it. The policy of this country ought to be to make everything national as far as possible; to nationalize our country, so that we shall love our country. If we are dependent on the United States for a currency and a medium of exchange, we shall have a broader and a more generous nationality. The want of such nationality, I believe, is one of the great evils of the times. This doctrine of State rights, which substitutes a local community—for, after all, the most powerful State is but a local community—instead of the United States of America, has been the evil of the times; and it is that principle of State rights, that bad sentiment that has elevated State authority above the great national authority, that has been the main instrument by which our Government is sought to be overthrown.

But, Mr. President, I say that this system will be a benefit to the banks themselves, as well as to the Government. The similarity of notes all over the United States will give them a wider circulation. A note issued by a bank in Maine will have upon it precisely the same engraving, the same form, the same character, as a note issued in Iowa. They will both rest on the same basis and the same security. This very fact will give them a broader circulation. Now, when a note is issued in Ohio, if it straggles as far as Washington, it is discounted two per cent., although it is just as good as any other note, and is driven back by the very fact that it is at a discount. If that note bore the similitude of the United States of America, and the stamp and the guarantee which the United States gives it, it would go everywhere; and a note-holder would not care whether it were issued in Ohio, Connecticut, or California. That very similitude would give it a broader circulation, and, consequently, a more profitable circulation to the bank; it would not be returned so quickly. I have been told by gentlemen from New England that the average period of circulation in New England is about thirty days; in New York, in the cities, it is much less; in the West it is said to be sixty days. But, sir, these notes all being the same, they may have an indefinite circulation, and the average may extend to years, instead of months or days.

There is another important advantage which the banks would derive from this system. They would be guarded against all frauds and alterations. There would be but five or six kinds of notes in the United States, instead of the great diversity that there now is. This would be

a great guard. I have here a table showing the number of counterfeit notes in this country, to which I will refer. It is a curious and instructive *exposé*, by a friend of mine, who took the pains to examine into the subject :

The notes of over twelve hundred banks have been counterfeited or altered. There are in existence over three thousand kinds of altered notes, seventeen hundred varieties of spurious notes, four hundred and sixty varieties of imitations, and over seven hundred of other kinds; this arising from the great variety of bank notes, there being, at a moderate estimate, over seven thousand various kinds of genuine bills—some executed by good artists, and many in an indifferent manner.

The following statistics are from reliable data as to the years 1856 and 1862 :

	1856.	1862.
Number of banks.....	1,409	1,500
Number whose notes are not counterfeited.....	463	253
Number of kinds of "imitations".....	1,462	1,861
Number of kinds of "alterations".....	1,119	3,039
Number of kinds of "spurious".....	224	1,685

I ask you, sir, how is it possible to have a currency—how is it possible for any honest man to detect the genuine from the counterfeit, when he has to select from seven thousand different kinds of bank bills, and the bills of those banks have been counterfeited; when so large a portion of them are spurious and counterfeit? It is impossible. Under this system, the banks will be saved from all this difficulty. There will be but six or seven kinds of notes. They will become familiar to us, so that every man will be a counterfeit detector in himself, and will not be compelled to look through a long list to ascertain whether a bill is genuine or not. This very fact will give a credit and currency to bank circulation which it has not now.

There is another advantage these banks would have. They are made by this law depositories of the public money. All the money collected by the collectors and various other Government officers would be deposited in the bank convenient to the collector; and these deposits are the most abundant and profitable source of revenue. They would be more stable than individual deposits. They would be paid out in the form of checks and drafts, and would be there in the banks perfectly safe, secured to the Government by bonds; and yet they would be a legitimate source of banking profit. Under the present system the laws forbid such a thing. The experience of the past has shown that local banks are not, and cannot be made, safe depositories; and, therefore, this would be an advantage which the new banks would have over the old.

There is still another advantage. These notes are to be receivable for taxes due to the United States. This would be again another profitable source of circulation. The notes of the State banks cannot be so received. They are dishonored and disgraced from the beginning by being refused by the National Government.

Under this system, Mr. President, there could be no object for brokers, who are the natural enemies to banks, to "run" upon a bank; because the notes will be uniform in face and value, and exchange will be equalized all over the country. I think, therefore, it could be proved to the satisfaction of every man who is interested in these bank-



ing associations, that it is for their interest to convert their local systems into the national system, by filing with the Government the security required by the law, and thus aiding the Government at the same time that they aid themselves.

It may be thought that I am hostile to State banks. I am not and never have been. I have always been friendly to them. But, sir, I think that everything ought to be subordinate now to what is necessary for the good of the country. All private interests, all local interests, all banking interests, the interests of individuals, everything, should be subordinate now to the interests of the Government; and whenever I see anything whatever standing in the way of what I believe is demanded by the good of the United States at large, I will seek, if possible, without doing them any injury, to make them harmonious with the system adopted by the Government. I believe that by the adoption of this system you will harmonize the interests of the local banks with the interests of the Government of the United States.

Now, sir, what benefits would the people derive from this system? Those benefits may be inferred from what I have already stated. In this way the people would have a currency combining the national faith with the private stock and private credit of individuals. They would have a currency that would be safe, uniform, and convertible. They would have all that can be desired in any community: a currency limited in amount, restrained by law, governed by law, checked by the power of visitation, checked by the limitation of liabilities, safe, uniform, and convertible in every part of the country. When I see that the people of the United States can derive these advantages, when I see that the Government of the United States can derive these advantages from this system of banks, I will not hesitate for a moment, even if I am compelled as a part of the system to induce the withdrawal of local bank paper, the surrender of the power to issue or to coin money.

Mr. President, I do not wish to pursue this argument much further; but I could show, by reference to our own history, that I seek to accomplish only what all the statesmen of our country have sought to accomplish. Every party that has been organized in this country, from the foundation of the Government to this time, has, at some period of its history, sought to accomplish this object of a uniform national currency. The Federalists, under the lead of Alexander Hamilton, brought order out of chaos after the Revolutionary War by the adoption of the United States Bank. They gave us for twenty years a stable currency; and without that currency the funding system, which secured the credit of the United States, could not have been adopted. It was only through the agency of the Bank of the United States, organized in some respects upon a foundation like this, upon the basis of Government securities, that our fathers were enabled to pay off the Revolutionary debt—to establish that wise system by which it was gradually diminished and finally paid off. When that bank expired we had a period of confusion and disorder. We had the issues of local banks for four or five years, when the Republican party, the rivals of the old Federalists, then in power, passed a bank bill under the lead of Mr.

Madison and Mr. Dallas. The arguments at those times in this very body, and in the House of Representatives, in 1815 and 1816, show that the same difficulties by which we are now surrounded then existed—a depreciated and disordered paper currency, which could only be remedied by the substitution of one national currency. That object was accomplished by the Republican party of Mr. Madison, by the incorporation of the second Bank of the United States; and for twenty years that went on in a career of almost uninterrupted prosperity. No one lost by it. However, at the expiration of the charter of the second bank, there was no longer any debt of the United States; there was no object, so far as the Government was concerned, in having any kind of paper money. All the motive for paper money had ceased, so far as the Government was concerned. The debt was paid off. It was the object then not to contract any further debt; and, upon the basis of the facts then existing, I believe the adoption of the Sub-Treasury scheme was a wise and judicious plan. I was too young to take part in the political disputes of that time. Probably at that time, with my natural predilections, if I had taken part, I should have been opposed to the Sub-Treasury scheme; but looking on it now without any feeling, I believe its adoption was wise, and in times of peace it was ample; gold and silver were abundant enough for a national currency, and formed the best national currency; and were it not now necessary by the operations of war to substitute some other for it, I should not be in favor of overthrowing any portion of that system.

The Democratic party, from 1837 to 1845, upheld the Sub-Treasury scheme. We now, surrounded by difficulties, surrounded by war, and in the midst of great troubles, are compelled to resort to some scheme by which to nationalize and arrange upon a secure and firm basis a national currency. Every commercial country in the world has adopted it, and it is a remarkable fact that every nation of modern times that has attempted to base its currency solely upon Government paper has utterly failed, and has eventually repudiated that currency; but when its currency has been supported, aided, and combined with local banks, when the interests of private individuals have been combined with those of the Government, the issues succeeded. The Bank of England is a striking example. The Bank of England grew out of the loan by private individuals to the Government of Great Britain of something like a million pounds. From that time it has been increasing, never failing, and yet the Bank of England is but a Government machine. All the paper issued by that bank is based upon the bonds of the Government. Not a dollar of notes is issued by that bank but what is represented either by gold or silver, or by Government securities; usually the Government securities are largely in excess of the circulation.

It is not necessary to resort to the history of the Bank of England or the Bank of France to show that no Government can borrow large sums of money from the people except through the agency of some kind of fiscal corporation or of individuals. There must be some intermediate link between the people who loan the money and the Government who borrows it; and that link, according to the experience of

nations, must be some corporation authorized to issue, upon the credit of the people, paper money. Every Bank of England note, every note of the Bank of France, is really a note of England or of France. In all the troubles that have occurred since the foundation of those institutions, they have been mainly instrumental in supporting and sustaining the credit of the country.

Sometimes, I know, we are told that unless we issue this large amount of paper money we shall have to pay interest, and the national debt will accumulate. Why, Mr. President, a national debt, although it is not a blessing, is yet not so dangerous and troublesome a thing as many Senators think. The power of paying off a national debt by the means of a sinking fund exists at any time. The amount of tax levied by this bill will in forty years pay off every dollar of the national debt. That may seem to be a striking proposition, but yet it is absolutely true. A sinking fund of \$1,000,000 a year, at five per cent. per annum, will amount to \$100,000,000 in thirty-five years; at six per cent. it will be \$100,000,000 in thirty-two years; and the very tax levied by this bill upon these banks, if applied as a sinking fund and set apart for that purpose, would in thirty-five years at five per cent., or thirty-two years at six per cent., pay off \$600,000,000 of the national debt. A sinking fund of \$10,000,000 annually, commenced to-day, would in the lifetime of a single man pay off \$2,000,000,000. Sir, I do not, therefore, fear a national debt if we only have a wise system of finance by which it may be maintained; because the operation of the sinking fund, as proved by actual experiment, is so striking that in the lifetime of a single man an annuity of \$10,000,000, as I have stated, would pay off the largest possible debt that it is anticipated can occur in our generation—that is, \$2,000,000,000. I may here say that it was the intention of the Committee on Finance to report as part of this scheme a permanent sinking fund; but on reflection, as it was a great subject, we thought it better to defer it until the next session of Congress, when no doubt it will be presented for the consideration of both Houses.

The operation of a sinking fund teaches us a lesson of economy. One hundred thousand dollars that you may now waste by careless legislation, before it is paid off will, by the accumulation of interest, amount to a very large sum, which will have to be paid off in gold and silver. An annuity of \$10,000—an amount easily spent uselessly and foolishly—would, if set aside, in thirty-five years pay off \$1,000,000 of debt. This fact should teach us a lesson of economy. I know Senators sometimes complain of efforts made to restrict expenditures; but when you remember that the money now paid out in an inflated currency must ultimately be redeemed in gold and silver coin, with all the accumulated interest that may gather in a period of thirty or forty or fifty years, it furnishes us a lesson and a warning.

Mr. President, I think I have now stated all I desire to state in regard to the merits of this bill. I know that many are disposed to take a gloomy view of our financial condition. I do not. Every nation has encountered the same difficulty which is now presented to us. Indeed, no nation in the world has the spirit that ours has evinced in

this war. Why, sir, if any man will go back and read the simple statements of history in regard to other wars in other countries, he will see that our financial condition is wonderful when compared with that of other nations in similar circumstances. I will ask your attention to one or two authorities on that point, to show you to what straits the wealthiest countries of modern times have been reduced. The financial condition of Great Britain in 1797 presents an instructive lesson, and I hope it will be a lesson of encouragement to us all. I read from Alison :

The aspects of public affairs in Britain had never been so clouded since the commencement of the war, nor, indeed, during the whole of the eighteenth century, as they were at the opening of the year 1797. The return of Lord Malmesbury from Paris had closed every hope of terminating a contest in which the national burdens were daily increasing, while the prospect of success was continually diminishing.

Party spirit raged with uncommon violence in every part of the empire. Insurrections prevailed in many districts of Ireland, discontents and suffering in all ; commercial embarrassments were rapidly increasing, and the continued pressure on the bank threatened a total dissolution of public credit.

The consequence of this accumulation of disasters was a rapid fall of the public securities ; the three per cents were sold as low as fifty-one, having fallen to that from ninety-eight, at which they stood at the commencement of the contest. Petitions for a change of ministers and an alteration of Government were presented from almost every city of note in the empire, and that general distrust and depression prevailed which is at once the cause and effect of public misfortune.

There, sir, at the beginning of a great war, waged by the people of Great Britain against her rival, France, the Government securities sank to fifty-one per cent. Again, at the same time, you will remember that there was a mutiny in the fleet, which created great confusion, and led to a still further decline in the public securities. Alison says :

At the intelligence of this alarming insurrection, the utmost consternation seized all classes in the nation. Everything seemed to be falling at once ; their armies had been defeated, the bank had suspended payment, and now the fleet, the pride and glory of England, seemed on the point of deserting the national colors. The citizens of London dreaded a stoppage of the colliers and all the usual supplies of the metropolis ; the public creditors apprehended the speedy dissolution of Government, and the cessation of their wonted payments from the treasury.

Despair seized upon the firmest hearts ; and such was the general panic that the three per cents were sold as low as forty-five, after having been nearly one hundred before the commencement of the war. Never, during the whole contest, was the consternation so great, and never was England placed so near the verge of destruction.

This is a far gloomier view than even the most despondent has ever taken of our financial condition. Our securities, running but a short time, have always been at from eighty to one hundred and ten per cent., never below eighty. The securities of Great Britain, which had been accumulating for years, in the face of and in the beginning of a great war, fell at once to forty-five per cent. Not only that, but during the whole continuance of that war, for over twenty years, the public securities ranged all the time below what they are at this moment in this country. I have before me Cohen's "Compendium of Finance," which gives a summary of the British debt from the beginning of the

war till 1815; but I will only refer to the loans made by Great Britain from 1803 to 1815. She sold her bonds, some three per cents, some long annuities, some four per cents, some five per cents, at various rates. The aggregate of bonds sold between those periods was £420,905,400, or over \$2,000,000,000. The proceeds of those bonds were only £266,800,000; so that, taking the whole of the war, the debt of England did not bring on an average sixty-five per cent.; and yet people in this country become discouraged because the Government cannot borrow at par. Never, in the midst of those great difficulties, did the people of that country falter in the purpose they had in view. They waged that war against their powerful rival for twenty years, selling their public debt below par, and carried it on with manly spirit; and what has been the consequence? They maintained their Government; they succeeded in the end; and now their national debt is not felt by them as a serious burden. Suppose they had succumbed to the financial difficulties that gathered around them in 1797; suppose the opposition in Parliament had then fulminated the decrees that are now fulminated here; suppose that disorder had spread over the country and broken out in open war and mutiny, that ancient power might have been overthrown. Her condition then was far worse than ours has ever been. I believe that there is that spirit in the American people that will carry us through these difficulties. It is wise for us to look to the lessons of history and see that other nations involved in a less holy cause have struggled unflinching through difficulties greater one hundred fold than ours.

In 1805, just before the battle of Austerlitz, the securities of France could not be sold at any price; the Emperor could not get money to pay for his breakfast; everything was deranged; the Government securities were so depreciated that they were of no fixed value; the assignats had disappeared or been converted into what they called *mandats*, and they had depreciated and disappeared; the Government credit was gone, and the ordinary expenses of the household of the Emperor could not be carried on except by indirection. Did the French succumb? Did that brave and warlike people give way to the difficulties which surrounded them, and make what was considered by their rulers a dishonorable peace? No, sir. They appealed to the conscription law, and gathered the young men of France around the standard of the empire; they carried on their Government as best they could, living from hand to mouth; and it was not long before the sun of Austerlitz spread its beams all over France, and victory perched upon her banners.

Sir, I ask you whether that example does not furnish us some encouragement and hope? Every nation, like an individual, must have its trials and troubles. Ours has not suffered yet as it will. I believe yet that this is to be a war longer than many of my friends think. I am willing to look the difficulties in the face and fight it out. I want at the commencement to secure a stable financial system by which we can appeal to the people for money upon which they can rely, so that the farmers and the laboring men, the common people of this country, can lend to the Government their money through these financial organs,

and thus maintain and uphold the Government. Sir, we must subordinate all these interests. How could England have carried on her great war except by the agency of the Bank of England? She did not resort to Government paper money; but she borrowed money upon the sale of her bonds, and used the Bank of England—which was but one of her instruments, guided wisely by the wisdom of Pitt—as a financial agent, just as these banks may be used under this system.

France, at the commencement of her revolutionary war, when the revolutionary fervor was upon her, issued in unlimited quantities the notes of the people, her assignats, against the warnings of the wise men of France. The debates show that such men as Necker, all those men who knew something about finance, warned the people of France against the fatal effect of an over-issue of assignats; but the eloquence of Mirabeau carried it; the demagogues carried it—the men who appealed rather to the temporary interests of the moment than to the permanent interests of the nation at large. The consequence was that in a short time all values in France were deranged; everything was destroyed; and it was only the genius of Napoleon, after innumerable victories, that could reconstruct upon the broken foundations of financial credit the superstructure which finally carried France through that war, and which is now the basis of the French financial system.

Sir, I am not discouraged by our difficulties. We are surrounded by them. Every individual, in the course of his lifetime, is surrounded by them. If he, with unmanly fear, gives way, he is submerged; but if he meets the difficulties boldly, and faces them honestly, he will come out in the end. So with this country. We have the wealth, we have the resources, we have the physical power. All we want is wisdom to guide our counsels, and courage and energy to lead our soldiers.

Under the system now proposed with the sanction of the Secretary of the Treasury, the Government of the United States pays but four per cent. on the amount of bonds filed in the Department, and these banks provide a market for a greater quantity of bonds. The banks under this system will be the means and the medium by which the Government can reach the money in the hands of the people. Those who take the responsibility of defeating a measure of this kind, unless they can substitute something better in its place than the unlimited issue of paper money, will take a responsibility that I would not for my life assume. I had doubts about this system; I examined them carefully; I weighed them all; and on my responsibility I feel bound to say that, all things considered, it is the best that can be adopted under the circumstances to avoid that which will be inevitable destruction.

If this bill is defeated, and we go on upon the system proposed by the House of Representatives, to issue an indefinite quantity of paper money, without restraint or limitation, the price of everything will rise; the produce that we use will rise, and the expenses of the Government will be largely increased. Nothing now restrains the speculative spirit except the Senate. Unless we can devise some permanent basis for a national currency, some wise financial scheme, our people will be

embarked in reckless speculation, and a wild and eager chase after foolish things.

But, sir, when your United States notes depreciate, they carry down with them United States bonds. Some Senators think we ought to go on issuing these notes until the mere operation of the law of supply and demand will compel the people to convert them into bonds. Why, sir, it is the history of such operations that as the United States notes go down so the bonds go down. Stocks that I know to be worthless—infated stocks of broken railroad corporations—are now selling in New York for more money than the six per cent. bonds of the United States, with interest payable in gold and silver coin. It is one of the tendencies of the times, and the more you inflate your currency, and derange and disorder matters by the issue of Government paper money, or bank paper money based upon it, the more you derange values, and give an impetus to the speculation now going on. But if, by a wise system, you induce the local banks gradually to assume as the basis of their circulation the United States notes, and limit the amount of those notes (for that is indispensable), you will furnish a market for your bonds, by which alone you can hope to carry on the operations of this war.

I may be like other men who have thought a great deal on a particular subject. I may give to this question an undue importance; but with me it is all-important. The establishment of a national currency, and of this system as the best that has yet been devised, appears to me all-important. It is more important than the winning of a battle. In comparison with this, the fate of three million negroes held as slaves in the Southern States is utterly insignificant. I would see them slaves for life, as their fathers were before them, if only we could maintain our nationality. I would see them free, disenthralled, enfranchised, on their way to the country from which they came, or settled in our own land in a climate to which they are adapted, or transported anywhere else, rather than to see our nationality overthrown. I regard all those questions as entirely subordinate to this. Sir, we cannot maintain our nationality unless we establish a sound and stable financial system; and as the basis of it we must have a uniform national currency. So it seems to me. I may be wrong; but so strong is my conviction on this subject that I believe the passage of this bill, by which our financial system may be harmonized, and by which we shall have what has always been desired by the statesmen of America, a sound national currency, is more important than any measure that we can pass.

I may say to my political friends that it receives the sanction of every member of the Administration, and particularly the earnest sanction of the gentleman who is placed in charge of the Treasury Department. I will say to my political adversaries that it has no connection with party politics. It has been framed, I believe, without reference to any political dispute, simply to accomplish that which we all desire—to place our national credit on the surest and safest foundation. I ask them, before they record their votes against it, at least to furnish us a better. It is easy to find objections to this, although it has been

carefully prepared, but tell us a better. Shall we go on issuing paper money, disordering and deranging the value of everything? Shall we sell our bonds in the market for what they will bring? That we can do. Great Britain did it; but she established a sound national currency through the agency of the Bank of England before she did it; she removed the restrictions from the Bank of England before she commenced that system of selling her public securities. Then she did it. Unless you can tell me a better system, I appeal to friends and opponents to vote for this bill; because, whatever differences there may be as to the mode of administering the Government, whatever differences there may be as to political questions growing out of the war on the much disputed matter of the condition of the African race in this country, there can be no doubt that we all alike are interested in preserving our national honor, our national credit, our national existence. If these are lost, what a sea of troubles is before us! If our credit is gone, if our nationality is destroyed, who among us now can see the end of the difficulties that loom up in the future? Who can see the difficulties that will arise if a boundary line is attempted to be drawn across this continent between two hostile sections? Who can see the difficulties before us if, by the progress of time, our paper currency becomes what my friend from Kentucky yesterday said it was—"worthless trash"? Then, sir, the Government will be subverted. No people can carry on a long war except with money, and you cannot get money unless you have public faith, unless you have the means of borrowing, and unless the means of paying at least the interest shall by a wise and uniform system be provided.

I believe that if the financial bill reported from the Finance Committee, and this bill, a necessary supplement, together with a just system establishing a sinking fund, be passed, we can carry on this war even with the enormous burdens that are thrown on our people. Then let us, in addition to this system, practice economy. I know that sometimes Senators have thought I have been very captious on that subject. Perhaps I have been; but I have felt that there was a necessity for it. If I know my own heart, I have not been actuated by any unworthy spirit, but simply by a desire to save and husband the resources of the people of this country, to enable them to meet the great national difficulties that exist. If we can only get through this strait, if we can see our way out of this war upon the basis of a preservation of the Union, there is nothing that can be said too highly of the future of this country. With boundless resources, with an enterprising population, placed in the center of a great continent, in a temperate climate, history does not afford, and cannot furnish, a parallel of our capacity. Our example of success will not only establish our republican form of government, but it will spread the spirit of our republican institutions over lands that are yet living under kings and nobles and despots. Sir, I do therefore press upon the attention of the Senate this important bill.



## ON THE GENERAL FINANCIAL POLICY OF THE GOVERNMENT.

*IN THE SENATE OF THE UNITED STATES, FEBRUARY 27, 1865.*

MR. PRESIDENT: I desire to make some general observations to the Senate in regard to the financial condition of the country, and especially as to the details and merits of this bill. I may as well avail myself of the present occasion to do so.

The late period of the session at which the House of Representatives sent us this bill precludes full discussion upon any of the important questions presented in it. The House is jealous of its exclusive prerogative of originating revenue bills, but it ought at least to give us an opportunity to exercise our undoubted power to amend them. This important measure, affecting every industrial interest of the country, declaring in its title that it is to provide revenue to support the Government and pay interest on the public debt, containing fifty pages of printed matter, every line of which demands an examination of the previous law, was sent to us within two weeks of the close of the session. The Committee on Finance have worked diligently to prepare it for the consideration of the Senate, and now, during the closing week, with all the hurry incident to the closing days of the session, with the appropriation bills still pending between the two Houses, we must urge the Senate to pass judgment upon the numerous provisions of this bill rather than to discuss them.

After the first careful reading of the bill, considering the many important changes proposed in it, I was inclined to recommend that the Senate postpone it until the next session rather than by hasty legislation to run the risk of new errors; but the necessity of the Government for new sources of revenue, the loss of revenue caused by defects in the present law, the construction put upon parts of it by revenue officers, and the palpable failure to enforce the present law, especially as to incomes, induced your Committee to report it back with several important amendments, and especially to provide for such an examination of the whole subject of internal taxation as would enable us to legislate in the future with fuller information. It may expedite our action to submit at the outset a few general remarks as to the necessity which compels us to impose upon our constituents the system of internal taxation provided for by this bill and the act of the last session.

Under the practice of Congress of dividing financial measures into numerous bills, all of which are considered separately, without any connection with each other, there seems no appropriate time to consider the "budget," or the general financial estimates and plans of the Government. Yet it is obvious that since it is the chief duty of Congress to provide ways and means to carry on the Government, some general principles ought to be adopted and applied to all our financial measures. When at peace the United States had an ample source of revenue in a moderate rate of duty on imported goods. This tax was so light as

never to be felt by our people, and its incidental effect in protecting our domestic industry made this tax a blessing rather than a burden. But the rebellion changed all this. We had either to submit to have our existence as a nation destroyed by a haughty, but base, ignorant, and defeated oligarchy, or we had to assume with war its unavoidable incidents, taxation and debt.

The people of the United States having definitely determined to prosecute war, it only remained for Congress to provide the ways and means to carry it on. It is manifest now, as I then urged, that it would have been better at the first session in 1861 to have reduced to the lowest possible standard all expenditures, and to have provided a system of internal taxation. It is easy now to see the errors of the past. None of us appreciated the magnitude of the contest—the enormous armies demanded and the vast sums required for the contest. I still think that with the closest economy and heavy taxes from the beginning, we might have borrowed money enough on a specie basis to have avoided a suspension of specie payments; but when the war came we were without a currency and without a system of taxation. Gold disappeared and was hoarded by banks and individuals. It flowed in a steady stream from our country. By the Sub-Treasury act we could not use the irredeemable bills of State banks; and, with the terrible lessons of 1815 and 1837 staring us in the face, no one was bold enough to advise us to adopt as a standard of value the issues of fifteen hundred banks, founded upon as many banking systems as there were States. Under these circumstances we had but one resource. We had to borrow vast sums, and as a means to do it we had to make a currency. This was done by the issue of United States notes. Subsequently, to unite the interests of private capital with the security of the Government as a basis of banking, we established a system of national banks, and upon this currency, as a medium for collecting taxes and borrowing money, have waged a war unexampled in the grandeur of its operations, and, as I trust, soon to be crowned with unconditional success.

Such a war has not been conducted without vast expenditures. Our actual expenditure during the fiscal year ending June 30, 1864, was \$865,234,087. The estimated expenditure for the current fiscal year is \$895,729,135, upon the basis of the present laws. Much more than one half of this sum has been already expended. To this amount you must add every dollar you provide for by new laws, and this grim fact must not be overlooked for a single moment when you are making new appropriations. Every dollar of this must be paid in the form of taxes; and that is not the worst of it—it must be paid *now*.

We must get the money either by making it, by borrowing it, or by collecting it from our people. If we could postpone the borrowing until after the war is over, it would be easy; but we must have it now, and we must devise the means of getting it before we can sympathize with the poor clerk, the brave soldier, or the needy contractor. Until then your sympathy is mockery. Your very measures of relief may add more to the distress of all whose livelihood depends upon a fixed salary.

I repeat that there are but three modes of raising this money: one is by printing notes, calling them money, and compelling the people to take it; another is by issuing bonds or promises to pay in the future; and another is to collect the money by taxation. That all these modes may be resorted to is proven by the history of all modern nations when involved in war. As the first is the easiest, it is apt to be resorted to first; but it is a doubtful expedient at any time, always dangerous, and soon exhausted. If pressed too far, it destroys loans and taxes, and national bankruptcy is the inevitable result. A limited amount of this money was indispensable to us as a medium of exchange. It is like some medicines, necessary in certain cases and in moderate quantities, but when taken in excess sure death.

Paper money issued by a government is called a loan, but it has none of the elements of a loan except the promise to pay. There can be no loan without a lender, and his act must be voluntary. In the middle ages governments resorted to "forced loans," a contradiction of terms. A forced loan was merely an unjust and unequal tax. I choose to regard United States legal-tender notes not as a loan merely, but as money, lawful money, which the citizen is compelled to receive, and which now fixes the standard of value. Whether the power to issue it is derived from the power to coin money or to borrow money, or whether it is inherent in any government clothed with the attributes of sovereignty, are questions we need not now discuss. We have exercised the power. It is now the currency of the country, the measure of value; and we can only regulate its form and amount, and provide for its redemption.

While we can make and have made our paper money the measure of value, we can not fix the price or value of any commodity, whether gold, silver, or food. The attempt has been made by many governments in different ages, and has uniformly failed. The standard of value may be fixed by the government, but a higher law fixes the relative value of all commodities as measured by this standard. We may by our tariff or tax law affect the relative value of commodities, but we can not by direct legislation fix the value of any commodity either in gold or paper money. When the attempt has been made, the result has usually been to advance rather than to decrease values. All our efforts to fix the value of gold as measured by our currency have failed. We may make penal the purchase and sale of gold; we may deny the use of our courts to enforce contracts for such purchases or sales; we may prohibit the exportation of gold; we may deter sales of gold by heavy taxation; yet, after all, the price of gold rises or falls as our national credit rises or falls. So far as our legislation produces revenue or strengthens our army, it produces a fall of gold as measured by our standard. So far as it merely discourages trade in gold or any other commodity, it increases its market value. We may as well recognize as an axiom of political economy, proven by the experience of all nations, by every form of government—despotic, monarchic, or republican—that the fixing of the values of commodities is beyond the power of legislation. We may fix the standard of value, we may fix the tax upon the commodity, and there our power ends. And especially is this

so of gold, which has value in all civilized nations of the world, and, except with nations for a time involved in war, is everywhere the standard of value.

It is therefore manifest that the first duty of Congress is to keep our lawful money, as a standard of value, as near as possible to the standard of gold; and this can only be done by limiting the amount and by making it valuable to pay taxes or loans. It can only be redeemed by the Government by taxes or duties, and every tax or duty, however oppressive to the individual, which withdraws for a time our paper money, brings it nearer the standard of gold. The power to make money by issuing legal-tender bills is now exhausted. More than enough is now outstanding to supply a currency. The issue of \$100,000,000 more would not only increase our debt to that amount, but would add even a greater sum to our expenditures by the increased price of commodities consumed by the war; while the imposition of an equal amount of taxes gives value to our currency, and thus reduces the price of commodities we are compelled to buy. An increase of paper money benefits the tax-payer now at the expense of the soldier. It reduces the purchasing value of the pay of the soldier, while by debasing the currency it is easier for the tax-payer to pay a specific sum. In the end, however, the tax-payer loses by the increased cost of food and clothing and transportation, which must finally be paid for in gold.

I assume, then, that while the necessity for raising these vast sums is still imperative, yet one mode of doing it, and that the easiest, is exhausted. Loans and taxes are our only resource. A loan must be voluntary. It may, to some extent, be induced by patriotism. In this contest thousands of patriotic people—women, children, poor and rich alike—have loaned their savings to the Government from the purest of motives. The admirable system of distributing this loan by going out from the money centers to the remote hamlets and villages, gathering from the small savings of the people rather than from the garnered treasures of the rich, has proved a wonderful success. Yet, after all, to borrow money you must appeal to the self-interest of the lender. A great nation borrowing money will be tried by the interested tests applied by the pawnbroker to his shivering victim. The more it wants to borrow, the more it must pay. The terms upon which we now borrow prove that we have pressed this resource as far as is expedient. Tested by the present standard of gold, we now pay seven and three tenths per cent. for three years, and twelve per cent. afterward until the debt is paid in gold. We promise to pay \$1,000 in gold at the end of eight years, with interest for five of these years at six per cent. in gold, and for three years at seven and three tenths in currency; and we receive for this promise, which must be fulfilled to the uttermost, \$1,000 in currency, which will buy our soldiers no more food than \$500 in gold. But this is not all. We stipulate that this property lent us shall be exempt from all the burdens which this war casts upon all other property, of State, county, and municipal taxes. This simple statement shows that this process of borrowing is exhausted; that we dare not extend it except for the highest object of national existence.

When I see the money thus borrowed expended on trivial objects, I

can not but look forward to the slow and hard process by which it must all be repaid in gold, with interest accumulated and accumulating, through the agency of collectors, by the inquisitorial process of this bill, and from the labor of the poor. And if, Senators, you have thought me hard and close as to salaries and expenditures, I trust you will do me the justice to believe that it is not from any doubt of the ability of our country to pay, or from a base and selfish desire for cheap reputation, or from a disinclination to pay my share, but because I see in the dim future of our country the same uneasy struggle between capital and labor—between the rich and the poor, between fund-holders and property-holders—that has marked the history of Great Britain for the last fifty years. I do not wish our public debt increased one dollar beyond the necessities of the present war; and the only way to prevent this increase is to restrict our expenditures to the lowest amount consistent with the public service, and to increase our taxes to the highest aggregate our industry will bear.

These general principles induce me to support many of the taxes proposed in this bill. I regard the proposed tax on sales as indefensible in principle; yet, as a temporary expedient to raise revenue, I will vote for it. The increase of the postage on letters is only to make the Post-Office Department self-supporting, and to preserve the proportions between the old rate and the price of labor and commodities. The changes in the income tax are necessary to prevent a repetition of the shameless and wholesale evasions of the special income tax. This is the only tax imposed on accumulated property, the only tax on money invested in State and Government securities. It is the one that should have been paid most cheerfully, but its assessment and collection was a disreputable farce.

A still more important feature of this bill is the section to compel the withdrawal of the State-bank notes. As the volume of currency affects the price of all commodities, I have no doubt the amount of such paper money now outstanding adds to the cost of our purchases \$50,000,000. The refusal of Congress at the last session to pass restrictive measures to compel its redemption has seriously affected the value of our currency. The national banks were intended to supersede the State banks. Both can not exist together; yet, while the national system is extending, the issues of State banks have not materially decreased. Indeed, many local banks have been converted into national banks, and yet carefully keep out their State circulation. They exact interest from the people on it, and yet avail themselves of the benefits of the new system. They transfer their capital to national banks, issue new circulation upon it, and yet studiously keep out the old. They issue two circulations upon the same capital. It is far better at once to abandon the national banking system than to leave it as a cloak for outstanding State issues.

If the State banks have power enough in Congress to prolong their existence beyond the present year, we had better suspend the organization of national banks. As the first friend of this measure in the Senate, I would vote to-day for its repeal rather than allow it to be the agency under which State banks can inflate our currency. And the

power of taxation can not be more wisely exercised than in harmonizing and nationalizing and placing on the secure basis of national credit all the money of the country.

Many of the taxes proposed by this bill are not in accordance with established rules of political economy founded upon the experience of European countries. We are new beginners in the science of taxation. The object now is less to equalize taxation than to increase revenue. All other questions must await the necessity put upon us by war to levy in the most expeditious mode the largest possible taxes, and to do this we must extend it to nearly all articles of production and consumption.

It may be truly said of some of these taxes that they are unequal. We can only reply that we need the money now, and must look chiefly to the result of the tax in revenue, leaving to the future to make such changes as experience proves to be just and proper. Taxes levied now must be paid by those at home who do not fight, while if postponed they will fall in a measure upon those who have fought. Taxes collected now can be paid in a depreciated currency, while if postponed they must be paid in gold. Taxes paid now not only tend to reduce the present price of commodities, but by reducing the sum to be borrowed enable us to borrow on better terms, while taxes withheld now largely increase the sum to be levied hereafter. What we pay now we pay without interest; what we postpone for the future we pay three-fold in accumulating interest. The war has given vast activity to all classes of industry, and has yielded enormous profit to those who are in business. It is proper that now they pay to the Government their full tax on these profits before they are consumed by expenditure. A tax system fully enforced now will enable us to relieve our people from many taxes when the reaction of peace shall lessen the profits of industry. We can not increase our taxes after war; we must be prepared to reduce them. Taxes are more cheerfully paid now in view of the mountain of calamity that would overwhelm us if the rebellion should succeed; but when we reach the haven of peace, when the danger is past, you must expect discontent and complaint. The grim specter of repudiation can never disturb us if we do our duty of tax-paying as well as our soldiers do theirs of fighting. I therefore conclude that every dictate of policy, every sentiment of patriotism, demand of us the largest taxation now, to be fearlessly assessed and impartially collected.

But it is impossible to consider the subject of internal taxation without some reference to our tariff laws. Though this bill does not change the present duties on imported goods, yet the same general principles must be applied to tariffs as to excises. The object now of our tariff laws should be to raise revenue. In times of peace we may discriminate in favor of our industry, we may abandon taxes to increase our commerce. Now our industry is sufficiently protected by requiring customs duties to be paid in gold, and we are in no condition to protect our commerce from foreign competition, because our vessels are the prey of English pirates. Our immediate want is revenue, and especially revenue payable in gold. We are committed to the payment of near sixty millions in gold annually, and must rely upon customs

duties to pay this sum. We can not forego this revenue without destroying the national credit, the value of our bonds, the basis of our currency. We can not affect these without seriously impairing our manufactures and our commerce. I repeat that we must now frame our tariff laws solely with a view to revenue. All incidental protection or benefit to any industry must now give way during this war to the immediate and pressing need of revenue.

A different principle prevails in Great Britain, and in her present position of peace, with all her great wealth employed in commerce and manufacture, it is founded upon the highest wisdom. The principle adopted by her is thus stated by Sir Morton Peto :

If a customs duty, however moderate, imposed for a financial object, prevents trade with a country which would otherwise receive your goods in exchange for its products, it is surely better to remove the duty which imposes the obstacle to commercial intercourse than, for the sake of a small revenue, to preclude the possibility of commercial exchange. . . .

But the first object of legislation in regard to customs duties should be, not to tax all articles which do not come within the class of raw materials or food, but on the contrary to tax those articles alone which can be taxed without injuriously affecting our trade with other countries, and to tax such articles only to such an extent as will not injuriously affect their consumption by our own people.

Upon this principle, and another equally simple, not to impose duties on the raw materials of industry and the first articles of food, was based the policy of Sir Robert Peel, which reduced the number of articles charged with duties from 1,163 in 1841 to 44 in 1862; and, sir, if we were at peace, with our currency restored to its normal condition, I should be very willing to discriminate in favor of our own commerce and manufactures. Although representing an interior State chiefly engaged in agriculture, yet I have always felt that the prosperity of one industry and section finally inured to the benefit of the whole nation and of every part. I therefore have supported the present tariff law, framed with a distinct view to discriminate in favor of our home industry, and I would now only so far modify the present duties as to increase the revenue. If by lowering the duty we can increase the revenue, it should be done. If by increasing the duties on any article we can increase the revenue without diminishing in a greater degree the consumption of that article, it ought to be done. During war, when our industry is fully employed in repairing the waste of war, increased importation may become a vast injury by exhausting us of gold and food, which must then be sent to pay for luxuries. Then we send abroad that which we most need, and receive that which we can do without. The true principle for a nation in our condition, struggling for its existence, is so to frame its tariff laws as to produce the greatest revenue from the least importation. When the war ceases, our armies will be disbanded and our soldiers will return to the ordinary pursuits of industry; then the English rule should be applied of levying the requisite duties on the fewest articles, and with a view to increase our commerce and protect our industry.

With this general statement, I approach the consideration of this bill. I am not entirely satisfied with it, but I am sure it will improve the present law and add some new sources of revenue. When the

machinery of collecting is perfected, which can only be done by experience, the whole of these taxes will be revised. They will be arranged into classes and schedules, and simplified. Its success will depend mainly upon the Commissioner of Internal Revenue. If he will perform his duty, and require his subordinates to do theirs, we shall realize during this calendar year \$300,000,000 of internal revenue, which will be an ample basis of public credit, and will go far to reduce the public debt. If our military and naval forces complete their great duty within this year, our present system of national finance will, I confidently trust, very soon enable us to commence the permanent reduction of our national debt, and to resume specie payments within a period equal to that required in Great Britain after her wars with Napoleon. We have resources in this country, when united and at peace, far greater than those of any nation of modern times. Our accumulated wealth is not to be compared with that of Great Britain and France, but a bountiful Providence has given us sources of wealth far greater than either of these powerful nations ever had. The cotton now coming through our lines already affects the price of exchange. Petroleum is already exported to the amount of thirty-one million gallons a year. Our mineral resources are scarcely touched. Our young sister Nevada is exciting our fancy with mountains of gold and silver; and dry statistics inform us of a product there of gold and silver equal to the product of the world fifty years ago. The South is to be opened to new industry, and millions of laborers from Europe and from Asia are meeting on our favored shores to help develop our resources. We have taken our place among THE GREAT NATIONS; but as we have attained our military position only after hard, exacting toil of military discipline, after defeats and discouragements, we can maintain our financial position only by the hard processes of taxes and economy. I wish to see the evil predictions of our enemies, at home and abroad, all belied. They prophesied disunion; we will show them Union. They prophesied bankruptcy; we will see them begging for our bonds, our cotton, petroleum, and gold. Then we can provide for our public debt. Then we can restore our commerce on the high seas, now driven by British pirates to take refuge under foreign flags. Then we may revive old doctrines about the American continent being no longer the home of European kings. Now our duty is dry, hard, exacting; but it will be the more cheering when in the future our self-sacrificing patriotism in this great crisis shall have enabled our country to enter upon its new career without a stain upon its financial honor.

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## WAYS AND MEANS.

*APRIL 9, 1866.*

THE Senate proceeded to the consideration of the bill (H. R. No. 207) to amend an act entitled "An act to provide ways and means to support the Government," approved March 3, 1865.

Mr. Sherman said :

I REGRET very much that I differ from the Committee on Finance in regard to this bill. This is the only bill on the subject of the public debt on which I have not been able to concur with that Committee. I do not perceive the necessity for conferring on the Secretary of the Treasury, in the present condition of our finances, the vast powers proposed to be conferred in this bill. It is true that the bill, as it now comes before us, is very different from the one first reported in the House of Representatives. That bill contained a clause which authorized the Secretary of the Treasury, not only to sell the bonds of the United States abroad, but to make them payable in the currency of foreign countries. Under it the Secretary could make our bonds payable in pounds, shillings, and pence, guilders, francs, or any of the various forms of currency known in any European country. That provision was stricken out by the House of Representatives. After the bill was defeated in the House a clause was added, on reconsideration, intended to limit the power of the Secretary of the Treasury over the legal tenders; but this clause, although wise in itself, will not accomplish the purpose designed by the House. It is on this ground, chiefly, that I object to the bill as it now stands.

If Senators will read the bill, they will find that it confers on the Secretary of the Treasury greater powers than have ever been conferred since the foundation of this Government upon any Secretary of the Treasury. Our loan laws heretofore have generally been confined to the negotiation of a single loan, limited in amount. As the war progressed the difficulties of the country became greater, and we were more in the habit of removing the limitations on the power of the Secretary of the Treasury; but generally the power conferred was confined to a particular loan then in the market. This bill, however, is more general in its terms. It authorizes the Secretary of the Treasury to sell any kind of bonds without limit, except as to the rate of interest. It does not limit him to any form of security. The security may run for any period of time within forty years. He may sell the securities at less than par, without limitation as to rate. He may sell them in any form he chooses. He may put them in the form of Treasury notes or bonds, the interest payable in gold or in paper money. He may undertake, under the provisions of this bill, to fund the whole debt of the United States. The only limit as to amount is the debt itself, now \$2,700,000,000. The power conferred on the Secretary of the Treasury is absolute, and is to continue until the act shall be repealed. The description of the bonds in the act of March 3, 1865, referred to here, would probably limit the rate of interest to six per cent.

in coin and seven and three tenths per cent. in currency ; but with this exception there is no limitation.

The people are not generally aware of the favorable condition of our finances. The statement of the public debt laid on our tables the other day does not show it fully. But a small portion of the debt of the United States will be due prior to August, 1867, that will give the Secretary any trouble. But little of the debt which he will be required to fund under the provisions of this bill matures before that time. The temporary or call loan, now over one hundred millions, may readily be kept at this sum even at a reduced rate of interest. The certificates of indebtedness, amounting to sixty-two millions, may easily be paid from accruing receipts, or, if necessary, may be renewed or funded at the pleasure of the Secretary. None of the compound-interest notes or the seven-thirty notes mature until August, 1867.

It is idle, therefore, to say that there is now at this moment, or will be within a year, a pressing necessity to confer on the Secretary of the Treasury this enormous power. It is only in view of a change of policy, either by a reduction of the currency or some other measure in the mind of the Secretary, that he can claim that this power is necessary. Nor is there necessity to contract debt to pay current expenditures, because the present income exceeds our expenditures. In his annual report he estimated that there would be a deficit of \$112,000,000 at the close of the present fiscal year. It is now admitted that there will be no deficit, and that the amount on hand together with the current receipts will be sufficient to pay the expenses of the Government up to the 1st of July next. The estimated expenditures during the next year are stated by him at \$280,000,000. Those estimates have been reduced somewhat by the bills sent to us by the House of Representatives, and it is scarcely possible that the expenditures during the next year can reach \$275,000,000 on the present basis. We have a current revenue now of nearly \$500,000,000 during this year. The amount of the gold receipts during the first three quarters of the year were \$140,000,000, and for this quarter will not fall below \$20,000,000 ; it is supposed that the internal revenue will yield during the current year not less than \$320,000,000 ; so that, including the profits realized on the sale of surplus gold, we have an income of not less than \$500,000,000 this year, and some authorities place it higher. Thus it is evident that we have \$200,000,000 more income this year than we will have expenditures next year.

No man can tell the future, and it is possible, perhaps probable, that during the next year there will be a considerable falling off in revenue. I do not think the internal revenue will fall off materially, because there are many sources of revenue that will come in next year which we have not yet felt. No one doubts that the tax on spirits will yield two or three times as much as it has during the current year. No doubt, however, other taxes will be diminished. I hope that the duties received from imported goods will be diminished by a diminution of importations. But neither the Secretary of the Treasury nor the head of the Internal Revenue Bureau contemplates any very material reduction, and on the basis of the present law as it now stands we

shall next year probably have a revenue of \$400,000,000, or at least \$100,000,000 more than the expenditure.

There is therefore no immediate necessity for these vast powers. It is true we may repeal this law next year, but we know very well that when such powers are granted they are seldom recalled; they are made precedents for further grants. It seems to me that the whole object of the passage of this bill is to enable the Secretary to contract the currency, and thus, as I think, to produce an unnecessary strain upon the people. The House of Representatives did not intend to give him this authority. They debated the bill a long time, and it was defeated on the ground that they would not authorize him to reduce the currency; and finally it was only passed with a proviso contained in the bill, which I will now read:

*Provided*, That of United States notes not more than \$10,000,000 may be retired and canceled within six months from the passage of this act, and thereafter not more than \$4,000,000 in any one month.

The purpose of the House of Representatives was, while giving the Secretary the most ample power over the debt by funding it as it matured or even before maturity, to limit his power over the currency, lest he might carry to an extreme the view presented by him in his annual report. If this proviso would accomplish the purpose designed by the House of Representatives, I would cease all opposition to the bill; but I know it will not, and for this very obvious reason: that there is no restraint upon the power of the Secretary to accumulate legal-tender notes in the Treasury. He may retire \$200,000,000 of legal-tender notes by retaining them in his possession without cancellation, and thus accomplish the very thing the House of Representatives did not intend to permit. He may sell the bonds of the United States at any rate he chooses for legal tenders, and he may hold those legal tenders in his vaults, thus retiring them from the business of the country, and producing the very contraction which the House of Representatives meant to prevent. Therefore, this proviso, which only limits the power of canceling securities or notes, does not limit his power over the currency; and he may, without violating this bill, in pursuance of the very terms of the bill, contract the currency according to his own good will and pleasure.

My own impression is that the Secretary of the Treasury, in carrying out his known policy, will do so. He says he will not contract it unreasonably or too rapidly, but I believe he will contract the currency in this way. He has now in the vaults of the Treasury \$60,000,000 in currency and \$62,000,000 in gold—a larger balance, I believe, than was ever before kept in the Treasury until within the last two or three months; a larger balance than was ever found in the Treasury during the war. What is the object of accumulating these vast balances in the Treasury? Simply to carry out his policy of contraction. With this power of retaining in the Treasury the money that comes in, what does he care for the limitation put upon this bill by the House of Representatives? That says that he shall not retire and cancel more than \$10,000,000 of United States notes within six months, and not more

than \$4,000,000 in any one month thereafter; but why need he retire and cancel them when he can retain them in the vaults of the Treasury, and thus contract the currency?

That brings me to the only material objection that I have to this bill. I do not think it wise now to place in the power of the Secretary of the Treasury or any mortal man this absolute and extreme control over the currency of the country. We have never done it before. In the bills that were passed when my honorable friend from Maine [Mr. Fessenden] was Secretary of the Treasury, and when Mr. Chase was Secretary of the Treasury, we authorized them to retire legal-tender notes, but only by issuing other notes of the same character.

I do not doubt in the least either the integrity or the capacity of the present incumbent of the Treasury Department; I have as much confidence in him as any one; but this question of the currency is one that affects so intimately all the business relations of life, the property of every man in this country, his ability to pay taxes, his ability to earn food and acquire a living, that no man ought to have the power to vary the volume of currency. It ought to be regulated by law, and the law ought to be so fixed and so defined that every business man may transact his business with full knowledge of the amount of the currency, with all its limits and qualifications.

With the powers conferred by this bill the Secretary of the Treasury may at any moment put into the market a bond that will at once absorb all the legal tenders. It may be said that he will not do it; that it will not be his interest to do it. Then why give him the power to do it when it is not necessary? If there was now an impending necessity resting upon him to raise a large sum of money within a short time, I would be willing to give him this power as cheerfully as any one; but there is no such necessity. Why, then, place it in his power to contract or expand the currency at his pleasure, and thus make fluctuations in all the business transactions of life? That this is not an idle fear I know from correspondence with some of the best business men of the country. They are alarmed, and refuse to go on and contract new obligations; they refuse to go on with their business in the manner in which it has gone on; the effect of the pendency of this bill has been to limit and contract the transactions in various operations of enterprise and business. I presume there are few Senators here but have had complaints of this kind made from business men in different parts of the country, that the uncertainty of the amount of currency on hand, and the uncertainty as to the policy to be adopted by the Government and the Secretary of the Treasury, take away from them all means of judging as to what amount of business they can transact.

I do not think that this is the time or the occasion to enter into an elaborate discussion as to the amount of currency needed in this country, or as to the various financial subjects that may be brought before the Senate at different periods. My own impression has been, and when this bill was before the Committee on Finance I believed it would be better for that Committee to report to the Senate a financial project to fund the debt of the United States. I believe that now is the favorable time to do it. If a five per cent. bond, a long bond of

proper description and proper guarantee, was now placed upon the market, with such ample powers to negotiate it as ought to be given to the Secretary of the Treasury, such a loan as was authorized two years ago, at a reduced rate of interest, to be exempt from taxation, I have no doubt whatever the Secretary of the Treasury could fund every portion of the debt of the United States as it matured.

The real difficulty of our financial position in the future grows out of the peculiar character of the seven-thirty notes. By those notes the holder, when they mature, has the option to demand the money or a five-twenty bond. It is manifest that as this option is out it can not be recalled. To recall it would be a violation of the faith of the United States, that the holder of these notes may demand either the money or a bond. It is therefore the interest of the United States so to preserve its credit that the five-twenties will be above par, and thus the seven-thirty notes when due will be converted into five-twenties, which will run for five years at six per cent. ; then I think the whole debt of the United States might be funded and reduced to five per cent. I do not believe it would limit or cripple the power of the Secretary if we would grant him authority to put upon the market such a bond as I have mentioned, and limit his power over the national currency by requiring him to pay out all over a reasonable balance in the Treasury toward the liquidation of the public debt, and thus prevent the very thing the House of Representatives intended to prevent by this proviso to the bill.

I do not like to embarrass a bill of this kind with amendments, because I know it is difficult to consider amendments of this sort requiring an examination of figures and tables. I have prepared a bill very carefully, with a view to meet my idea, but I will not present it now in antagonism to this bill passed by the House of Representatives and the view taken by the Finance Committee, because I know that, in the present condition of the Senate, it would not probably be fully considered. My only purpose now is to point out the fact, that is perfectly clear to the mind of every sensible man who has examined this bill, that as it stands it does not carry out the manifest intention of the House of Representatives when they passed it, and that the proviso limiting the power of the Secretary over the legal-tender currency does not accomplish the purpose which they designed, and without which I know the bill never could have passed the House of Representatives.

Mr. Fessenden, Mr. Chandler, and others briefly discussed the question, and it was then resumed by Mr. Sherman.

The chairman of the Committee on Finance has substantially admitted in his argument that there was no necessity for this bill except to endorse the policy or theory of the Secretary of the Treasury. In the present condition of our finances I do not think it wise to advance theories or to endorse them. Perhaps it was not wise in the Secretary of the Treasury to be so open in the announcement beforehand of what he intended to do, and perhaps it would be just as unwise for Congress now to endorse that policy until we see the events that will come before us.

That this bill is not necessary for maintaining the public credit I think is clearly demonstrated. It certainly is not necessary to meet current expenditures. On all hands it is admitted that our receipts are in advance of them, and no possible or probable deduction will make our receipts fall below them; so that the bill is not necessary as a loan bill to enable the Secretary to get money to carry on the expenses of the Government. The honorable Senator from Maine admits substantially that it is not necessary for other purposes. The only debt that is maturing during the coming year is \$62,000,000 of certificates of indebtedness. The balance now on hand, as reported and shown by the Treasury books, is \$120,000,000; but the actual balance on hand is some twenty or thirty millions more than the reported balance growing out of the manner in which the books of the Treasury are kept.

A draft is drawn here on the Treasurer at New York, and it is immediately put to his credit though the money may not be drawn for some time, so that there is always more money in the Treasury than the books show; and that simple fact led to the controversy, about which a good deal has been said in the newspapers, between the Comptroller of the Currency and the Secretary of the Treasury. Deposits are made in the national banks all over the country, and it may be some time before they are so reported at Washington as to be entered on the books of the Treasury here; while if drafts are drawn here on New Orleans or anywhere else, they are at once entered on the books of the Treasury to the credit of the Treasurer, while the money may not be actually drawn for a month or two months. There is always that discrepancy; there is always more money in the Treasury than is reported by the Treasury Department, not because they intend to deceive anybody, but simply from the nature of the transactions and the manner in which the accounts are kept.

I say there is no necessity for this bill to enable the Secretary of the Treasury to pay the current expenses or to meet accruing indebtedness. The sixty-two millions of certificates of indebtedness can be paid out of the current receipts; or if they are not sufficient, as the Senator knows very well, the Secretary has now power to exchange for those certificates any of the bonds of the United States. He may issue five-twenties in payment of those certificates under the existing law. There is no necessity for the bill therefore for that purpose.

In regard to the seven-thirties, the honorable Senator agrees with me that it is not expected that they will be paid in money; the holders undoubtedly will avail themselves of their privilege to convert them into five-twenties, so that they are not to burden the Treasury; and that will postpone the payment of the principal of all of them five years more, and give the Government the option of paying them after any time within twenty years. There is, therefore, no object in this bill to provide for the credit of the Government, because the credit of the Government is already provided for, and the Secretary of the Treasury has ample power for that purpose.

What, then, is the purpose of the bill? I think the Senator frankly stated it; it is to declare the policy of the reduction of the non-interest-bearing legal tenders. Under the present law, he has power to retire

every dollar of the interest-bearing legal tenders by exchange; he may redeem them when they become due, and no portion of them will be due until August, 1867, and then they mature gradually, and not in bulk. He has power under the existing law to retire them by exchange of any securities for them, and with the present ease in the money market there is no difficulty in retiring them whenever he can get hold of them. Whenever he can get hold of them, he is now retiring them. The trouble is that they are sought for and held by brokers and banks and bankers, and therefore he can not reach them until they become due, when they will fall into the body of the national debt. There is no object in passing this bill except to contract the currency, and the honorable Senator says the Secretary will not do that to an unreasonable extent; but in his annual report he says he will do it. That is the whole theory of his proposition, and he is doing it, and in the very way I have mentioned. The Secretary of the Treasury accumulates large balances on hand. Our friend here on my right [Mr. Fessenden] had no such balance in his hands when he was Secretary there; he was very glad to have a much less balance; and for the ordinary purposes of the Treasury Department, is there any occasion for such an enormous balance? What is it held there for? The balance has been so great that the Secretary actually has retired notes that are not due for two and a half years.

I would have no objection to conferring on him the power to dispose of bonds to meet bills as they mature. Indeed, I may say that was one of the amendments I proposed, that the power to sell bonds should be only to meet accruing indebtedness. Give him one year, if you choose, to do it in, but no more. I do not think it is wise to confer on the Secretary of the Treasury the power to meet the indebtedness not accruing for a year or two or three years. I do not think it is necessary in our present financial condition to authorize him to go into market now and sell bonds at current market rates with a view to pay debts that do not mature in a year or two. I have no doubt before the five-twenty loans are due we shall retire every dollar of them at four or five per cent. interest. No one who heeds the rapid developments of new sources of wealth in this country, the enormous yield of gold now, the renewal of industry in the South, the enormous yield of cotton, the growing wealth of this country, and all the favorable prospects that are before us, doubts the ability of this Government before this debt matures to reduce it to four or five per cent. interest. I therefore do not think it wise to place it in the power of the Secretary of the Treasury to sell six per cent. long bonds or any class of bonds, even five per cent. bonds, except to meet accruing indebtedness. This I am perfectly willing to do: the Secretary of the Treasury may sell bonds at any rate to meet debts as they accrue, but that is not the purpose of this bill.

I will state here that I have in my hands a table showing that the Secretary of the Treasury used a portion of the surplus revenue for the purpose of retiring the seven-thirties not due for two years and a half to come. He has retired, of the third issue of seven-thirties, \$7,769,000; and of the second issue, not due until June and July, 1868,

\$4,402,000; making an aggregate of \$12,000,000 which he has retired in the very mode provided in this bill. That is the power now given, and he will use the power. He may think it to his interest to retire the whole of the seven-thirties or the ten-forties; but is it wise for us to give him that power now, at the heel of the war and before things have settled down? I do not think it is.

I repeat, I do not wish to call in question the integrity of the Secretary of the Treasury. The Senator interjects by saying we must look ahead. There is just the difference between him and me. I say the future for this country is hopeful, buoyant, joyous. We shall not have to beg of foreign nations, or even of our own people, money within two or three years. Our national debt will be eagerly sought for, I have no doubt. I take a hopeful view of the future. I do not wish now to cripple the industry of the country by adopting the policy of the Secretary of the Treasury, as he calls it, by reducing the currency, by crippling the operations of the Government, when I think that, under any probability of affairs in the future, all this debt will take care of itself. I believe that if the Secretary of the Treasury would do nothing in the world except simply sit in his chair, meet the accruing indebtedness, and issue his Treasury warrants, this debt will take care of itself, and will fund itself at four or five per cent. before very long.

In my judgment, the amount of legal tenders now outstanding is not too much for the present condition of the country. I expect to come back to specie payments, and I expect to see gold approach the level and standard of our paper money, without any material reduction of our currency. Our currency now is less than the currency of England or France, according to the statistical tables we have. Our whole currency now is \$704,000,000, excluding the interest-bearing legal tenders, which do not enter at all into it, and which can not be found, and including bank circulation of every kind. Four hundred and fifty millions of it consist of United States notes and fractional currency. Then, there are over \$250,000,000 of bank currency, including the notes of outstanding State banks, which are being rapidly retired. The limit of the national-bank currency is \$300,000,000; so that the whole currency can not exceed \$750,000,000. I do not consider the compound-interest notes as anything, because they are not in circulation. The circulation before the war was \$207,000,000 in paper, and perhaps \$100,000,000 in gold. It is difficult to tell how much gold there was in the country. We are now developing the mining regions. The production of gold is increasing with great rapidity. The amount of gold in the country I believe will in five years approach the amount of our legal-tender currency, so that the one will be convertible into the other. The proportion of gold to that currency at this day is greater than it was at the beginning of the war. Exchange with all countries is in our favor. Bills on England can now be had for 106 in gold. That is two or three per cent. in our favor. We have vast uses for the currency. It is being absorbed in the Southern States and held there. They are glad to sell anything they have got for it. Cotton, which was hardly counted indeed when the war ended, has yielded enormously.



In regard to going back to specie payments, when did ever a nation travel toward specie payment as rapidly as this country has done without a reduction of the currency? Here is a significant fact, that when gold was 280 our currency was \$550,000,000; and now, when our currency is over \$700,000,000, gold is 130, and going down and down, and no power in this world can prevent its going down. This fact shows that the mere amount of legal tender outstanding does not fix the rate of gold. That is the result of the restored confidence of the people of this country and of all nations in the credit of the United States. I believe that if the Secretary of the Treasury will keep out of the stock market, will just remain in his seat in the Treasury Department, and pay the debts as they become due, the people of the United States will take care of the currency of the country and of the credit of the Government; and it will not be necessary to buy bonds before they mature or do anything else except simply to meet the current indebtedness in order to bring us back to specie payments, and I do not believe any power can prevent it.

I do not wish the Senate to suppose that in these remarks I intend to criticise the conduct of the Secretary of the Treasury. He takes a different view from what I do. I am more hopeful than he is. He probably, like a good banker as he is, wants a very large balance on hand. I have more confidence in the future, and am willing to trust to it. I do not now see any imperative necessity for this bill, but at the same time I would make no opposition to it, no opposition to the vast power to sell bonds, because I think the power would not be abused, if the Secretary would not in this way undertake to carry out what he calls his policy, a contraction of the currency without any specific law. That is what I am afraid of—his interference to contract the currency. The honorable Senator from Maine, however, would seem to think that I impute to him a wrong motive, and therefore I corrected him when he made the remark that I seemed to suppose the Secretary was doing this improperly. I think not. The Secretary of the Treasury informed us that he desired to reduce the currency, and he has been doing it as far as he could. He has been accumulating large balances. He was opposed to the proviso which has been inserted in this bill, and yielded to it only with reluctance. That is admitted on all hands, and he is not precluded either in honor or propriety from carrying out his policy if you give him the power to do it.

This is all I desire to say upon the bill. The only reason why I spoke is because I can not vote for it under the circumstances; I felt bound to state thus briefly the reasons that actuated me in coming to this conclusion.

The bill was further discussed and passed.

## FUNDING THE NATIONAL DEBT.

*IN THE UNITED STATES SENATE, MAY 22, 1866.*

THE Senate having under consideration the bill (S. No. 300) to reduce the rate of interest on the national debt, and for funding the same, Mr. Sherman said :

MR. PRESIDENT: This bill came to us in the usual mode from the Secretary of the Treasury, and its purpose is to facilitate the negotiation of a five per cent. loan. I have had an earnest desire during the present session of Congress to see the interest on the debt of the United States reduced to a rate not exceeding five per cent.; but the Secretary of the Treasury, as will be gathered from his public documents, hesitated somewhat as to whether he could negotiate a loan bearing that rate of interest. After full consideration, however; he presented this bill as containing the terms upon which, in his judgment, this loan could be negotiated. It came to us, and by general consent was reported to the Senate, printed for the purpose of attracting attention and criticism, and was subsequently considered by the Committee, and reported. Its history is now known to the Senate.

Before considering the specific terms of the bill, it will be necessary for me to state the condition of the public debt. By the statement laid on our tables on the 1st of May, it appears that the ascertained debt of the United States at that time was \$2,827,676,871; and from that may be properly deducted the amount of money (coin and currency) on hand of \$137,987,028.82. To this aggregate must necessarily be added quite a number of items, some of which have been acted upon at the present session of Congress, and some of which will be acted upon before our adjournment, the mere statement of which will show the Senate the probable condition of the public debt within the next year or two. The largest sum that will be required is by the bill introduced from the Committee on Military Affairs for the equalization of bounties, which will require, if passed, near \$200,000,000. What will be the fate of that measure I have no means of knowing. The Pacific Railroad, now being constructed, will probably cost in the course of the next five years something like \$50,000,000.

In the settlements with the States for expenses incurred for the military service in an irregular way, we have already appropriated, I think, about \$10,000,000 to the States of Missouri, Kansas, Pennsylvania, and West Virginia; and there are other claims of the same character which will be presented by other States. I am told that Indiana, Kentucky perhaps, and Ohio will have such claims. Ohio has a claim of that kind growing out of the Morgan raid. The probability is that this class of claims, now unadjusted but not disputed, the principle having been settled, will take \$20,000,000. The largest yet allowed was to the State of Missouri, which I think amounted to some \$7,000,000. Then there is the measure presented by a prominent member of the House of Representatives, which I hope will not pass

—the proposition to assume a portion of the expenses of the States in raising men during the rebellion, and which, should it receive the sanction of Congress, would take, by its terms, \$116,000,000. As I have seen but very little effort to pass that bill, I lay that aside as not a probable burden upon the Treasury.

Then there are classes of large private claims growing out of the war, many of which are being constantly pressed upon us, and which will take probably millions of dollars, but the precise amount of which no man can estimate. The bill passed the other day for the relief of the contractors for the iron-clads, and the claims made by the States of Kentucky and Tennessee and the various border States for damages caused by the war, and claims for property used by the army, are specimens of this class of claims, amounting, I might say, to fifties and hundreds of millions. I take it the great body of these claims will be rejected upon the general principles of public law; and therefore, in estimating the probable burden on the Treasury, I do not put this item very large, especially as I see a disposition in Congress to criticise very accurately this class of claims.

It therefore is very certain that in the most favorable aspect of affairs the public debt of the United States might fairly now be estimated at \$3,000,000,000. That is the amount stated by the Secretary of the Treasury in his annual report, and I think it is not overstated. With the strong probability of passing the bill for the equalization of bounties, it may be understated; but I take it as a correct estimate.

It will be observed that this debt is of the most diverse character. It consists not only of the unliquidated claims that I have specified, but the public debt which is ascertained is provided for by twenty-seven different laws and as many as forty different forms of securities. The report on the finances, which was laid on your table at the commencement of the present session, contains a list of these various loans, covering six or seven pages. Under some of these laws there is a great diversity of issues. For instance, under the seven-thirty law there are three different series of notes, and under the five-twenty law there are five different series, containing somewhat different provisions. The seven-thirties vary somewhat, although it is very difficult precisely to state the difference. The difference arises from the dates of issue partly, but in the seven-thirties it exists also in the terms of the bond. The principal difference is that in one class of those bonds the interest may be at the pleasure of the Government paid in gold at six per cent. I merely allude to this diversity to show that the natural idea of every one connected with the finances of the Government would be, as early as possible, to consolidate the public debt of the United States. It is now difficult for the people of the United States to understand any but two or three of these loans, and none but a skillful financier, engaged in the purchase and sale of stocks, can tell the various differences in value of the different securities, and the reasons therefor. It is obvious, therefore, that for public convenience it is necessary to consolidate these loans as soon as possible into one distinct form, so that we shall have nothing to provide for but the interest of the debt and such por-

tion of the principal as the policy of the United States may require us to pay off.

There is another reason for funding our public debt. It is not a question of policy, but it is a question of necessity. A large portion of this debt matures very soon, and it must be either renewed or paid off. It can only be paid off by selling other bonds, and consequently there is necessity of prescribing the terms of these new securities. I have here a table showing when this public debt matures :

CHARACTER OF ISSUE.	Amount outstanding.	When redeemable.
Temporary loan, four per cent.....	\$612,227 98	Due.
“ “ five per cent.....	21,664,710 65	Due.
“ “ six per cent.....	67,266,168 47	Due.
Certificates of indebtedness, six per cent.....	55,921,000 00	Due.
One- and two-year notes, five per cent.....	32,536,901 00	Due.
<b>Total amount due.....</b>	<b>\$178,001,008 10</b>	
Six per cent. bonds (five-twenties).....	\$514,780,500 00	After May 1, 1867.
Six per cent. bonds.....	9,415,250 00	After Dec. 31, 1867.
Six per cent. compound-interest notes.....	167,012,141 00	After Dec. 31, 1867.
Seven and three tenths Treasury notes.....	234,400,000 00	After June 30, 1867.
<b>Total maturing in 1867.....</b>	<b>\$925,607,891 00</b>	
Six per cent. bonds.....	\$8,908,341 80	After July 1, 1868.
Seven and three tenths Treasury notes.....	65,600,000 00	After March 3, 1868.
“ “ “ “.....	300,000,000 00	After March 3, 1868.
“ “ “ “.....	230,000,000 00	After March 3, 1868.
<b>Total maturing in 1868.....</b>	<b>\$604,508,341 80</b>	
Six per cent. bonds (five-twenties).....	\$100,000,000 00	After Nov. 1, 1869.
Six per cent. bonds (five-twenties).....	\$50,590,300 00	After Nov. 1, 1870.
Five per cent. bonds.....	\$7,022,000 00	After Jan. 1, 1871.
Five per cent. bonds.....	\$20,000,000 00	After Jan. 1, 1874.
Five per cent. bonds (ten-forties).....	172,770,100 00	After March 1, 1874.
<b>Total maturing in 1874.....</b>	<b>\$192,770,100 00</b>	
Six per cent. bonds.....	\$18,415,000 00	After Dec. 31, 1880.
Six per cent. bonds.....	\$50,000,000 00	After June 30, 1881.
Six per cent. bonds.....	192,252,430 00	After June 30, 1881.
Six per cent. bonds.....	75,000,000 00	After June 30, 1881.
Six per cent. bonds (Oregon war).....	1,016,000 00	After July 1, 1881.
<b>Total maturing in 1881.....</b>	<b>\$318,268,430 00</b>	
Six per cent. bonds (U. P. R. R. Co.).....	\$640,000 00	After Nov. 1, 1895.
Six per cent. bonds (C. P. R. R. Co.).....	1,898,000 00	
<b>Total maturing in 1895.....</b>	<b>\$2,538,000 00</b>	

It will thus be seen that, while the pressure of the principal of the public debt is not very great now, yet \$178,000,000 is within the reach of the Secretary, and that next year and the year following both the seven-thirties and five-twenties come within his reach for payment or

conversion. The Government may have a longer time for payment if it chooses, by paying six per cent. interest in gold. But I wish simply now to show that it is within the power of the Government, if it can reduce the rate of interest, to do so consistently with the stipulations of the bonds.

But there is another argument for consolidating the debt derived from another table that I have before me. All modern nations who are now dealing very largely in public debt have as a matter of policy reduced their public debt to some simple form, so that in every country there is a specific debt known to the people of that country, with a fixed rate of interest prescribed by law; and the whole of the public debt is generally put in that form as soon as possible. England had formerly the same diversity of securities that we now have; but it has been the policy of English statesmen, from William Pitt down to this time, to reduce the debt into one simple form, so that there should be nothing but the interest to be provided for; and the result has been that the whole of the public debt of England is reduced to a three per cent. debt, except about one million pounds. The total amount of the public debt of Great Britain is £799,802,139, and the whole of this may now be said to be a three per cent. annuity, the principal, however, redeemable at the pleasure of the Government. In France I find the same thing has occurred. The term *rentes* generally describes the great mass of the public debt. I think all the debt, except a few technical annuities, given probably for specific purposes, one called *obligations trentenaires*, and some floating debt, is now funded in the form of *rentes*. The debt of Russia, also, is now funded into three, four and a half, and five per cent. stocks—the great body of it in the form of five per cent. foreign loans. The same statement holds good in regard to all European countries. Every nation in Europe, where a public debt has existed in some cases for centuries, has adopted it as a principle to reduce that debt to as simple a form as possible, so that the interest alone would be a charge upon the treasury, and that a sinking fund should pay off gradually such portion of the principal of the public debt as the policy of the Government would allow.

It is manifest that if the debt of the United States was now reduced to one simple form of a five per cent. stock or bond, so that the United States need look only to the payment of the interest, and to the payment or purchase of such portion of the principal as its policy might dictate, much of our financial difficulty would be removed. What is now the trouble with us? Why can not this project be adopted? The answer is that a very large portion of the principal of the public debt becomes due in a short time, and the Secretary must provide for the payment of it; and this very necessity of going constantly into the market to renew these loans imposes upon him nearly all the burdens of his office. And yet I do not arraign the policy that was adopted during the war of making short loans. It was proper to do it, it was necessary to do it. It was not proper for this Government to stipulate to pay these high rates of interest for a long period of time, and therefore during the war it was necessary to make short loans at a high rate of interest; but it was always done in view of reducing the rate

of interest after the war was over, and with a view of consolidating the whole debt. The policy, so far as I know, of those connected with the finances of the country, has been to keep ever in view the principle of redeemableness in every form of security issued during the war. Therefore the five-twenty bond was payable or might be paid after five years. The seven-thirties and the various forms of securities that have been issued are within the reach of the Government in a short time. Why was this idea so carefully kept in view? Simply to enable the United States to retain the advantage of paying the principal after the war when loans could be negotiated on more favorable terms. And now we may properly reap the benefit of this wise policy. We may now enter the money market with the laurels of victory and peace. We need no longer compete with the industrial interests of our citizens in borrowing money, but may prescribe our own terms and renew our debts on conditions consistent with our vast power and resources.

Now, Mr. President, the only additional question I need present in this connection is, Is this the time to fund the public debt? I say emphatically it is. I believe we have wasted four or five precious months already. I believe that the process would have been easier at the beginning of this session than it will be now; and why? In order to fund the public debt of the United States, a large amount of currency is necessary; but it is necessary for us to reduce our currency as soon as possible. We can not get back to specie payments without some reduction of the currency. Every one desires to resume specie payments, but before we do so the debt ought to be funded. It can not be funded on as favorable terms after we return to specie payments. The very abundance of the currency obviously enables us to fund the debt at a low rate of interest; and as the debt was contracted upon an inflated currency, it is just and right that upon that same currency it should be funded in its permanent form. The effect of the superabundance of paper money is to reduce the rate of interest; that is obvious. At the time of the celebrated John Law excitement, the rate of interest in France was reduced to one and a half per cent. by the overwhelming amount of paper money. I say that now, above all others, is the time to fund this debt in some form of security. If we postpone it six months or a year, it will only add to our difficulties. The longer we postpone it, and the longer we leave this amount of floating indebtedness upon the market of the United States, the less will we be able to fund it at a low rate of interest and on favorable terms. And, sir, we have no choice about it. We have got to do it, because this debt is maturing, and we have got to put it in some other form unless we intend—to use a very expressive phrase—to shin it, and go into the market to renew short loans. This debt matures, and it must be paid. It can be paid, not by taxes, but by selling new bonds and new loans; and therefore we must determine upon some form of funding it as soon as practicable.

And this brings me to the main question, what rate of interest the United States ought to pay on the public debt. Upon \$830,000,000 we are now paying interest at the rate of seven and three tenths per

cent., higher than we allow our citizens to exact from each other. Upon the great part of our debt we pay six per cent. in gold, equivalent at present rates to seven and eight tenths per cent. in the currency for which the bonds were sold. We exempt our public creditors from the burdens of taxation. The question is now whether we are willing to continue to pay such interest, and whether we are unable to meet our obligations on more favorable terms.

And, sir, in considering this question, I wish it distinctly understood that I would not arbitrarily change any contract with a public creditor. Public faith is the most precious jewel of a nation, and I would not tarnish ours by any violation of promise or contract. So far as we have stipulated we must pay; our credit demands it. An old writer says :

This is the great thing called credit. Credit is a consequence, not a cause; the effect of a substance, not a substance; it is the sunshine, not the sun; the quickening something, call it what you will, that gives life to trade, gives being to the branches and moisture to the roots. It is the oil to the wheel, the marrow in the bone, the blood in the veins, and the spirits in the heart of all the *négoce*, trade, cash, and commerce of the world.

Credit is based not only upon a strict compliance with contracts and ability to perform them, but also upon great care in making them. We must have prudence in making a contract, honor in observing it, and ability to perform it. These are the elements of public as well as private credit. Our history as a nation has shown that we have the means and will to fill our contracts. It is for us to show our prudence in making them in the future. In private dealing we will not trust a man who has great means and ample property, if he is reckless in making engagements; but we do trust a prudent man who has no resources but his prudence and probity. As a nation we ought not to impair our credit by making engagements more onerous than other nations do, unless we are compelled to do so by stern necessity. Now, sir, I can not but think that it is discreditable to us as a nation that we are now issuing our bonds at a higher rate of interest than any Christian nation of the world; that we now continue to issue, at a coin value of seventy-five cents on the dollar, six per cent. bonds, principal and interest payable in gold. I do think that the fact that European nations, with their complicated relations and expensive forms of government, can sell their securities at a more favorable rate than we, is an unpleasant fact no longer justified by the relative condition of the several countries. While we were in war, our Government in discredit, and our own people fearing the result of the struggle, we were forced by necessity to pay high rates; but to do so now is a confession of weakness that I see no foundation for.

Let us test this question by a more detailed comparison of the rates of interest paid by this and other countries, and of the resources of each. I have a table showing the debt, population, and annual interest paid by leading nations :

*Statement showing the aggregate indebtedness of the several European and American nations, and its average per capita on the population thereof; the aggregate interest per annum, and its average per capita on the population thereof.*

COUNTRIES.	Total debt.	Population.	Per capita.	Annual interest.	Per capita.
Great Britain.....	\$4,000,000,000	30,000,000	\$133 33	\$132,000,000	\$4 40
United States.....	3,000,000,000	35,000,000	85 71	139,000,000	3 97
France.....	2,000,000,000	36,500,000	54 79	78,000,000	2 14
Russia.....	1,155,000,000	79,000,000	14 62	38,000,000	48
Austria.....	1,125,000,000	35,000,000	32 14	58,000,000	1 66
Spain.....	535,000,000	16,000,000	33 44	13,000,000	81
Holland.....	465,000,000	3,000,000	155 00	11,400,000	3 80
Prussia.....	210,000,000	18,000,000	11 66	11,600,000	64
Portugal.....	150,000,000	4,000,000	37 50	5,200,000	1 30
Belgium.....	130,000,000	4,500,000	28 88	8,000,000	1 77
Bavaria.....	130,000,000	4,500,000	28 88	5,650,000	1 25
Brazil.....	114,000,000	7,700,000	14 80	5,720,000	74
Denmark.....	60,000,000	2,600,000	23 08	3,129,000	1 20
Saxony.....	48,000,000	2,000,000	24 00	2,050,000	1 02
Hanover.....	40,000,000	1,800,000	22 24	1,760,000	98
Wurtemberg.....	25,000,000	1,700,000	14 70	1,470,000	86
Hamburg.....	23,000,000	222,000	103 60	1,360,000	6 12
Greece.....	20,000,000	1,000,000	20 00	230,000	23

But this table, while it presents us in an unpleasant aspect, does not show all the facts. Of our debt only \$2,200,000,000 is on interest. The residue is not funded or is in the form of currency; but on the sum of a little more than \$2,000,000,000 we pay \$139,000,000 of interest, while Great Britain pays a less sum of interest by some millions of dollars on nearly double the debt. The rate of interest on her consols, at their present market value, is three and a third per cent. One hundred dollars of her bonds, bearing interest at three per cent., will sell in any money market of the world for eighty-six dollars in gold, equal to ninety-four dollars in our coin; while one hundred dollars of United States bonds, bearing six per cent. interest, will sell in Europe at from sixty-five to seventy dollars in sterling gold, and in the market at New York for about seventy-six dollars in our coin. Is there such a difference between the condition of affairs in this country and in Great Britain? Is there anything in our public credit, the nature of our institutions, or the character of our laws, or in the uncertainty of payment, that compels this exorbitant difference? I do not think so. In France the rate of interest is about four per cent. and a fraction; sometimes a little less than four. In Russia it is five per cent. In Austria it is five per cent. Five per cent. is the highest rate paid, except during an emergency, by any of those countries; and their resources are not to be compared with ours. This table shows that, tested by the public debt of any nation of modern times, the amount paid by the United States is entirely exorbitant, and therefore the first duty is to reduce the rate. In my judgment, it will be a public discredit if the Secretary of the Treasury is compelled to issue any more six per cent. gold-bearing bonds.

When you examine our resources and compare them with the amount of our public debt, the latter seems insignificant. It is shown, not only by our official tables, but by the actual exhibition of our



industry and strength in the last three or four years, that we have more elements of strength and more resources in money than any nation in Europe. England has but thirty million people upon whom her public debt rests; we have thirty-five million people, and our population increases at a ratio without example, maintaining that ratio for sixty years. We have the broadest agricultural field of any nation in the world, not excepting Russia, because the greater part of Russia is either too cold or too dry for agricultural productions. We have a territory of compact form but varied climate, and productions greater in amount than all Europe. We have 2,044,077 separate farms, each occupied by the owner, and in the main tilled by his own labor. Our coal fields are estimated to be thirty-six times the size of those of Great Britain and Ireland, and are distributed throughout all portions of the country. As coal is the basis of the wealth of Great Britain, and actually yields seventy-two million tons, while we now consume but fifteen millions, we have in coal a bank that will never break, a mine of jewels more valuable than all the gold of the world. And our mineral resources are greater than those of any two countries of the world. California has furnished to the mints of the United States for coining over \$360,000,000 in gold, and probably a greater amount in bullion exchanged for foreign productions. Mountains of rich iron ore are scattered over most of the States. We have more actual wealth *per capita* than any nation in Europe. The price of labor here is twice what it is in Europe. All the elements which enter into the computation are in our favor. For us to pay this rate of interest, it seems to me, is an acknowledgment that there is some defect in our form of government, some insecurity, or some unreasonable demand for the use of money, that I can not explain.

The vast disproportion between the rates of interest we pay and our resources has excited the intelligent observation of an Englishman recently among us, who has written a book upon the resources and prospects of America, a copy of which I have before me. I refer to Sir Morton Peto, and I am sure every Senator who hears me will deeply regret that one so friendly to our country seems, by the advices we have this morning, to have been involved in financial embarrassments at home. This intelligent writer, who is familiar with the whole system of finance and taxation in England, has presented in this volume the results of his study and observation of our resources in a manner that must attract the attention of every reader. The book is a careful collection of facts admirably arranged, but without attempt at concealment or exaggeration, and he closes it by saying that, after the completion of our Pacific railroad—

We shall be called upon to regard America as the greatest nation of the world. She will be entitled to take that rank by reason of her extent, her diversity of soil and climate, the character of her communications, the variety of her resources, her vast mineral riches, and the abundant field which she presents for labor and for the employment of capital and enterprise. Many among us are accustomed to smile when we hear the Americans speak of the United States, in their accustomed manner, as a "great nation." But there is no mere boast in that description. Emphatically, America is a "great nation." Where can we find her equal in geographical and natural advantages, in material progress, or in general prosperity?

As a united people, the Americans present to the world a spectacle that must excite general admiration. Regarding them as of the same race and ancestry with ourselves, as a people using our language, governed by our laws, united by the same religion, influenced by kindred sentiments, their progress is a spectacle which should kindle our admiration and enthusiasm.

And, sir, in this connection we must remember that while our resources are so great, they are not locked up in the bosom of Mother Earth, but may be touched by the power of taxation. The actual experiment has been tried, and the result has been far greater than any of us estimated. We are now collecting a revenue greater than any modern nation. A recent official statement made to us by the Revenue Commissioners shows that during the current year the result of our taxes is over \$500,000,000 dollars, a sum greater than France or Great Britain ever collected in any one year. We are now engaged in the happy duty of repealing many of these taxes, but will still retain \$30,000,000 to apply annually on the principal of our debt; a fact that has forcibly impressed the mind of Mr. Gladstone, who, after years of peace, is fortunate in being able in Great Britain to propose a plan of slightly reducing the debt of that country by changing a portion of it into terminable annuities.

Another element of credit is that under our system of government our national expenses are far less than those of other nations. Sir Morton Peto says: "In proportion to population, the United States in 1860 had, I apprehend, the smallest expenditure and the smallest national debt of any country in the world." And, sir, even under the increase of our expenditure since the war, our actual expenditure, other than on account of the public debt, will be in the future far less than that of the same population in Europe. Here war expenses cease with the war. No standing army swells exorbitantly our estimates. Our heroes who saved the country by war are now enriching it by their labor. Our current expenses next year will be considerably less than two hundred millions. So that whatever view we take of our financial position, whether we consider our resources, our receipts, our expenditure, or the varied industry of our people, we must conclude that we are not justified in paying rates of interest so far in excess of other nations.

Again, sir, the present rate of interest is a war rate, and the distinction between a war rate and a peace rate is recognized by all writers on the subject. England was compelled to sell many of her three per cent. annuities at some sixty cents on the dollar; but even England when she was involved in the great war with Napoleon never paid anything like the rate of interest that we pay. It seems from the report of one of the Revenue Commissioners, which is very full of facts and details on this subject, that the average rate of interest paid by Great Britain during her war of eight years with the French Republic was £4 17s. per £100, a little less than five per cent.; that during the year 1802 it was reduced to £4 4s.; that during the war with the French Empire it was £4 15s.; that from the end of the war until 1821 it was £4 5s., or four and one fourth per cent.; and that the average rate during the whole period of the war was four and three fifths per cent., reduced to a specie standard; and yet we have paid, uniformly, six per

cent. in gold, while we receive paper for our bonds. At one time during the war we paid at the rate of thirteen or fourteen per cent. on money, counting the difference between gold and paper. Such a thing as that would exhaust any country except ours. We are able to borrow and get it from the people; but it is plain that at the very earliest moment we must go back to something like a reasonable rate of interest. We must not tear from our people the results of their labor and pay it for purposes of this kind when there is no necessity. I take it, therefore, as an axiom with which to set out, that we ought to reduce the rate of interest. I expect to live to see the time when the rate of interest in this country will not be over three or four per cent., and now we propose to reduce it on new loans to five per cent.

There are one or two collateral views that Senators might reflect upon with great propriety. First, there is the influence of these high rates of interest on the industry of our country. I have a letter here, which probably presents this point as clearly as I can, from a very intelligent citizen of New York. I will read a short extract. He speaks of the effect of the high rates paid by the Government in the city of New York. He says:

A powerful cause which exposes the poor and persons of limited means to such high rents is found in the rates of interest established by national and State laws, and the increased value given to money by such legislation. During the rebellion the Government offered a higher rate of interest than the laws of New York and the seaboard States generally had established as legal; hence investments in United States securities now realize more than two per cent. over bonds and mortgages in New York. Capitalists have therefore been withdrawing money from real estate loans to invest them at higher rates in Governments. This policy affects scores of millions of capital. It has a direct tendency to limit and retard building and discourage all State developments. It has entirely unsettled the whole system of the demand and supply of money for private enterprises. Every day an unprecedented number of houses and lots are thrown on the market, either from the inability of the borrower to pay off his mortgages or debts in any other way, or from the imperative necessity of raising money to prosecute old business or start new. These enforced real estate sales benefit the capitalists alone, who in return demand at least fifteen per cent. on their new property; and those who are obliged to rent are thus held at their mercy.

Before the war capitalists and corporations were ready to loan from fifty to seventy per cent. on real estate securities. With from two to five thousand dollars on hand, a man could buy and build with a certain reliance on a loan, while his future earnings, with the gradual advance of property, would ultimately give him a clear title to a home for himself. In this way many thousands of good dwellings were constructed in New York; but the arrest of this system has put our population into the hands of the landlords, and they will hold the power till the system is changed. If the poor became rich they would do the same.

The effect of these high rates paid by the Government is not only to absorb the floating capital of the country, but to deter men from engaging in enterprise; and therefore all over cities of the United States it is a common remark, "It is impossible to get houses." In the West the cry is distressing. In all the cities it is impossible to get a house at a fair rent. The rent absorbs all a man's little earnings. The result is, the people are crowded into tenements, half a dozen families in a house—in New York, in some cases, two or three families in a room; and all this grows out of the advance in rents, together with the high

prices of the necessaries of life. By paying this high rate of interest we compete with every industry: with the railroad companies in the sale of their bonds; with the manufacturers in the building of new warehouses; with all classes by offering a higher rate of interest than we allow the courts to enforce for them. During the war that was necessary; we could not avoid it; but it is not necessary now.

The leading objects of this bill are to fund the public debt and to reduce the interest; but there is another object proposed by it which I think is peculiarly an American one, and upon which I ought to say something before I proceed to examine the details of the bill; and that is the providing of a method of payment of the debt by applying a specific sum every year to the cancellation of bonds under laws to be hereafter framed. The original funding act framed by Alexander Hamilton was based upon the idea that a public debt should be temporary, and this idea is ingrafted upon American finance. In view of this, in the first loan law of 1862, if I remember aright, we provided that one per cent. of the amount of the loan should be set aside as a sinking fund with a view to pay off the principal of the debt. That pledge has never been redeemed, nor during war was it possible or proper to redeem it. A sinking fund can properly be accumulated only during peace. It would be bad economy to take a portion of the money borrowed at high rates of interest during war and invest it in securities purchased in the market, and then lay them aside and accumulate the interest for the purpose of paying off a debt during peace. Great Britain tried that for nearly one hundred years, and finally abandoned it. The old form of a sinking fund, which was the favorite theory of Robert Walpole and William Pitt, was abandoned, then resumed, and finally abandoned in 1819. I have an interesting book here, the preface of which was written by the celebrated Mr. McCulloch, in which he speaks of the abandonment by Great Britain and by all other nations of the old form of a sinking fund. I will read an extract from it:

Neither must it be supposed that the notion of the wonder-working effects of sinking funds has been a mere harmless error. On the contrary, few delusions have been practically so mischievous.

Dr. Hamilton, of Aberdeen, has the merit of having dissipated the delusion in regard to the sinking fund. . . . He showed that, instead of reducing, the sinking fund had increased the debt. And he proved to demonstration that the excess of revenue over expenditure is the only fund by which any portion of the public debt can ever be discharged.

But since Dr. Hamilton's work appeared, more correct accounts have been obtained of the expenditures, loans, etc., during the great struggle terminated in 1815; and from these it may be easily shown that the sinking fund was not a clumsy only, but a costly, imposture. In proof of this we beg to state that the loans contracted in each year from 1794 to 1816, both inclusive, amounted in all to £584,874,557, at an annual charge to the public of £30,174,364. Of these loans the Commissioners of the Sinking Fund received £188,522,350, the proportional annual charge on such portion being, of course, £9,726,090. But it further appears from the accounts referred to, that the stock which the Commissioners purchased with this sum of £188,522,350, transferred to them out of the loans, only yielded an annual dividend of £9,168,232. On the one hand, therefore, an annual charge of £9,726,090 was incurred, to enable the Sinking Fund Commissioners to go to market; and, on the other, they bought stock which yielded £9,168,232 a year:

so that, on the whole, their operations during the war occasioned a direct dead loss to the country of no less than £557,857 a year, equivalent to a three per cent. capital of £18,595,233, exclusive of the expenses of the office, which amounted to above £60,000. Such was the practical result of Mr. Pitt's famous sinking fund, so long regarded as the palladium of public credit, and the sheet-anchor of the nation!

Notwithstanding Dr. Hamilton's book was published, as already stated, in 1813, the statute for the suppression of the sinking fund, 10 George IV., c. 27, was not passed till 1829. It enacted that in time to come the sum to be applied to the reduction of the national debt should be the actual annual surplus of revenue over expenditure.

The old form of sinking fund adopted in England, and also in this country, was to invest through certain persons named in the law specific funds, and authorize them with those funds to buy any portion of the public debt. That plan of accumulating a sinking fund has been abandoned, and now, as this author says, the only proper way is to apply a fixed sum raised by taxes and from surplus revenue to the payment of the public debt. Instead of endeavoring to keep the debt alive by sinking fund commissioners, the application of a specific sum to the payment of the principal and interest of the debt every year would have the same effect in extinguishing the public debt as if invested by sinking fund commissioners, and without the loss and expense of management.

I have thus stated, I fear with too much detail, that any plan should embrace these ideas: the funding of the debt, the reduction of interest, and the ultimate payment of principal. And here a difference of opinion has arisen whether this plan should be prescribed by Congress or whether it should be left mainly to the Secretary of the Treasury. I objected to the law passed here a month or two ago, and I still think I was right. My objection did not arise from any want of confidence in the Secretary, for I know the present Secretary will not abuse this trust. But it grew out of what I considered the right of the people to know precisely the terms of the loan. That bill authorized the Secretary to sell a bond, principal and interest payable in gold, running not to exceed forty years, and bearing an interest not to exceed six per cent., to be free from State and local tax, and which he might sell under par. Now, I did not wish to admit for a moment, in the form of a law, the possibility of any Secretary selling such a bond even at par, and certainly not under par. It was a cheapening of the public credit to provide for such a loan. And without renewing the controversy, I ask, is it not better in legislating on this important question, involving \$3,000,000,000, to put in the form of law and on the face of the statute the terms and conditions upon which our public agents shall sell our bonds? It seems so to me, and therefore, if this bill contained no new provisions, I should think it highly important that the terms finally agreed upon and fixed by the Secretary of the Treasury, after full consideration, should be embraced in the form of law so as to be binding upon him and his successors, and so that no change should be made without the consent of Congress. I do not propose, however, nor do I ask, the repeal of that law; but I think that when a plan of funding is agreed upon, it should assume the form of law, leaving, however, the general provisions which

passed a short time ago to stand to meet emergencies and exigencies now unforeseen.

The further question which I now desire to submit to the Senate is, whether this bill presents a plan by which these objects can be accomplished. • If it were left to my own hopeful view of things, I would strike out two or three clauses. I would not extend the exemption of the bonds from taxation to the income tax. I would preserve the form of our laws in regard to the convertibility clause, vesting the power in the United States to pay off this debt after a certain time, say ten years. I would insert a proviso which was in the old law of 1795, authorizing the United States to pay off the principal. But the Secretary of the Treasury, who is to execute this law, is of opinion that he can not negotiate a five per cent. loan upon these terms, and therefore he would not undertake it. He has the power under the general law we have passed to negotiate a loan at six per cent., or one at a less rate, but he thought he could not negotiate a five per cent. loan without additional legislation. I am not sure of that. I believe that if you pass a bill of this kind fixing the rate of interest at five per cent., with the general stipulations contained in this bill, we shall be able, though perhaps with some difficulty and after some time, to save the one per cent. without giving any additional benefits. He thought not, however. The question now is, not whether we shall give him this law, but whether we shall compel him to issue a six per cent. rather than a five per cent. loan, unless we give him the terms and privileges contained in this bill. If I was called upon to prescribe the form, being probably a more hopeful man than he or many of those around me, I would insist that the Government of the United States should not pay in any event over five per cent. interest, and that a clean loan should be negotiated for that amount; and that it should be something like the ten-forty loan, within easy conversion, so that, if in ten years we could negotiate a loan at a less rate of interest, we might have power to do it. But he thought that in order to enable him to negotiate a five per cent. loan he must have two provisions; one giving him authority to issue a thirty-year loan, to postpone the payment of the principal not to exceed thirty years; and the other to exempt these securities from the income tax of the United States.

Those were the two conditions upon which he thought he could negotiate a five per cent. loan. When I came to examine them, I found that these two conditions could amount to but very little loss. The income tax levied by the United States now upon national securities pays to us less than one tenth of one per cent. of the public debt. By the terms of the tax law the holders of these bonds are compelled to pay income tax as upon other property; but all the bonds that are held by persons whose aggregate income is less than \$600 go free of tax; all the bonds that are held abroad are free of tax; all the bonds that are held by banks, insurance companies, and corporations are held free from this income tax. No corporation pays an income tax; the income tax is levied only upon individuals. The result is that the bonds of the United States, you may say the great mass of them, are held in such a way that they pay no income tax.

The Secretary says: "If you will surrender the trifling amount you collect from incomes derived from Government securities, I may be enabled to save you one sixth of all the interest paid upon the public debt." When that proposition was made, it seemed to me that we ought to adopt it. There is another reason for its adoption. The income tax is, in its nature, temporary. There is scarcely a doubt but what that tax will disappear, like many of the other taxes, in a short period of time. The time, in my judgment, is not far distant when a tax on a few articles of luxury will pay the interest on the public debt and pay our expenses. I have no doubt we shall go through the same process of legislation that our ancestors did after the war of the Revolution, and as those who went before us did after the war of 1812. All these taxes will disappear in a short time, and perhaps a tax on whisky and tobacco and on imported goods, a few simple taxes, may be able to pay the interest on the public debt and the expenses of the Government. Therefore the only question is whether we should surrender this small matter in order to accomplish a great object. It seems to me we ought to do it. If the Secretary of the Treasury can negotiate this loan by surrendering this small income tax, and thus effect a saving of interest equivalent to twenty per cent. of all the interest paid by the United States, it is certainly a very good bargain, and it does not require a very shrewd man to see it.

The other provision was that there ought to be a fixed period before which the principal should not be paid. That was a point upon which I myself long hesitated; and I agreed to it for the reason that but a very small portion of the public debt can be converted now into a five per cent. loan, because but a small portion of it is due. The holders of the seven-thirties will avail themselves of the privilege to convert them into five-twenties. There is not very much pressing upon the Secretary of the Treasury, but whatever it is, he must pay it, and he must issue a loan of some form; and the only question is whether it shall be a five or a six per cent. If you do not pass this bill, he is compelled to issue a six per cent. loan because he can not negotiate any other. He says he can not, and that is the general judgment. It is the general judgment of gentlemen who oppose this bill that he can not negotiate a five per cent. loan of any kind even with this bill, and therefore that he will be compelled to issue a six per cent.

The very fact that he is not compelled to borrow a large sum of money enables him to go into the market now like a rich man who has a boundless inheritance, a large estate, on which he wants to borrow a very small sum of money; he can get it on good terms, but he says he can not get it unless the payment of the principal is postponed for twenty or thirty years. Suppose he does issue two hundred million or five hundred million five per cent. bonds under this bill; the objection is that we may want to pay off the principal sooner. Surely we would pay off the six per cent. bonds first, and we cannot expect to pay off all this enormous debt within thirty years. All the bonds that he could probably issue within a year or two would fall very far short of the amount that would still remain unpaid under the most favorable circumstances in thirty years from this time. Next year, after he has

established a five per cent. loan under this bill, it may be that he can go into the market and get a better loan still, a better bond, on more favorable terms, and thus reduce the rate of interest on the balance of the debt as it matures. I have no doubt he can do it.

I now come to consider an objection to this bill made with a good deal of force, especially by my Democratic friends, that the loans of the United States are exempt from State taxation. Although this is a very important question, it has never been discussed in the Senate; and I think that unless Senators have been required to examine the decisions of the courts of the United States, they probably have not seen how far the courts have gone in settling it. I lay it down as a premise that, in the absence of all stipulations about taxation in a law, no State can tax a Government security; it is entirely inconsistent with the supreme power of the National Government to borrow money. This question is settled more clearly than almost any question of constitutional law which has ever been mooted in this Government. The first case involving it that came before the Supreme Court of the United States was the celebrated case of *McCulloch vs. The State of Maryland*, in which the principle was decided that no tax could be levied by a State upon any agent employed by the National Government in the execution of its vested powers. That case, however, did not reach the particular point that I am now discussing; but subsequently the case of *Weston vs. The City Council of Charleston* arose in 1829, and is reported in 2 Peters, page 449, and upon the very point now in discussion. Chief Justice Marshall was still upon the bench, the same judge who had decided the case of *McCulloch vs. The State of Maryland*. The city of Charleston, under the authority of a law of the State of South Carolina, levied a tax upon bonds of the United States held by a citizen of Charleston. The question was submitted to the Supreme Court of the State of South Carolina, and it was decided there by a majority that the State had a right to tax a Government security or the income derived from it. A dissenting opinion was given by one of the judges of that court which is highly creditable to him, and I think presents the case very clearly. I will read a short extract from that opinion before I read anything from the decision of Chief Justice Marshall. This case arose at the beginning of the nullification crusade, and the very principles subsequently involved in the contest through which we have recently passed were then under discussion in South Carolina.

Judge Huger, in giving his dissenting opinion, said :

I am unwilling, on so important a question, merely to express my dissent from the judgment of the court. It is now for the first time agitated, and ought to be fully discussed, that it might be better understood. It affects the use of a power, as essential to the General Government in periods of difficulty and danger, as any other which the people have delegated to it. If the City Council of Charleston can tax the stock of the United States, *eo nomine*, the States can; and if the States can, it is impossible not to perceive that the fiscal operations of the General Government may be completely frustrated by the States. It will be in vain for Congress to pass acts authorizing the Secretary of the Treasury to borrow money, if the holders of their stock can be taxed for having done so by the States. Congress may offer ten per cent. for loans, but who will lend, if the States can appropriate the whole to their own use?



He then proceeds to show that the power to tax at all involves the power in the States to nullify by taxation the power of the National Government to borrow money, and says :

No Government, not revolutionary, has ever attempted to tax its own stock, and, among others, for two very satisfactory reasons :

1. Because such a tax must necessarily operate injuriously upon all future loans; and
2. Because there is in fact a violation of contract in so doing, and therefore immoral and impolitic.

Under the influence of these reasons, the Legislature of this State has refused to tax the stock of the United States; but it appears that the City Council of Charleston have thought differently, and have taxed it. . . .

If they can do so at all, they may do so to any extent; it is equally within their power to tax twenty per cent. or one hundred per cent. as one half per cent. What shall govern their discretion it is impossible to foresee. A State or a few States may concur in a policy at variance with that of the Government, nay, in hostility to it. This, unfortunately, has been already witnessed.

He prophesies the very case that occurred a few years afterward in that State :

They may, indeed, be indisposed to dissolve the Union and declare war, when they might have no objection to counteract Congress, and control its measures by the exercise of a power strictly constitutional. Seven tenths of the stocks of the United States are owned in the cities of Boston, New York, Philadelphia, Baltimore, and Charleston.

And then he proceeds to discuss the power of cities and States to tax the Government stock, and shows that, if it were conceded, the single State of New York might have it in its power to destroy the Government of the United States by preventing it from borrowing money.

The case was brought up to the Supreme Court of the United States, where it was elaborately discussed by Mr. Hayne and Mr. Legaré, then among the ablest counsel in the country. I will read from the decision of Chief Justice Marshall :

This brings us to the main question. Is the stock issued for loans made to the Government of the United States liable to be taxed by States and corporations?

Congress has power "to borrow money on the credit of the United States." The stock it issues is the evidence of a debt created by the exercise of this power. The tax in question is a tax upon the contract subsisting between the Government and the individual. It bears directly upon that contract while subsisting and in full force. The power operates upon the contract the instant it is framed, and must imply a right to affect that contract.

If the States and corporations throughout the Union possess the power to tax a contract for the loan of money, what shall arrest this principle in its application to every other contract? What measure can Government adopt which will not be exposed to its influence? But it is unnecessary to pursue this principle through its diversified application to all the contracts and to the various operations of Government. No one can be selected which is of more vital interest to the community than this of borrowing money on the credit of the United States. No power has been conferred by the American people on their Government, the free and unburdened exercise of which more deeply affects every member of our republic. In war, when the honor, the safety, the independence of the nation are to be defended, when all its resources are to be strained to the utmost, credit must be brought in aid of taxation, and the abundant revenue of peace and prosperity must be anticipated to supply the exigences, the urgent demands of the moment.

Then he goes on to discuss the question at great length, and comes to the conclusion, in which the Court was unanimous, that in the absence of all stipulation on the subject no State could be allowed to tax a Government security, simply because to do so would enable the States to destroy the power of the National Government, to prevent it from prosecuting war, and from maintaining the authority of the United States. This principle has never been controverted and never been doubted by any judge on the bench of the Supreme Court of the United States. It has been acquiesced in by every judge who has sat upon that bench. It has never since been controverted by any State of the Union. It has never been attempted by any party in the Union to set aside that decision. This exemption is so clear a principle of constitutional law, in my judgment, that it cannot be assailed or gainsaid. The same question was again brought before the Supreme Court of the United States in a case from the State of Pennsylvania, when Chief Justice Taney sat upon the bench—the case of *Dobbins vs. The Commissioners of Erie County*. The Court reaffirmed the principle, referring to this case, repeating it, and applying this doctrine to a tax levied by the State of Pennsylvania on a Government officer. Again the question was brought before the Supreme Court of the United States during the recent war, in a case reported in 2 Black—the case of *The Bank of Commerce vs. The Tax Commissioners of New York city*, where the opinion was given by Mr. Justice Nelson. The question arose there as to the power of the State of New York to tax Government securities in the possession of the Bank of Commerce, a corporation of that State, and the Supreme Court unanimously decided that a tax could not be levied in any form, from the very nature of the case, on a Government security. It should be remembered, too, that up to the time of this last decision no provision had been contained in any loan law expressly declaring that the Government securities should be exempt from State and local taxation. It was decided upon the general principle involved, and without regard to any stipulation made by Congress. This last decision was in 1862, and it was that winter, for the first time, that we put in the stipulation in one of our loan laws.

I might add, if it was necessary to add to these authorities, that the same question was up again during the last term, and again decided in the same way, in the case I now hold in my hand. This case was the taxation by the State of New York of the shares of a national bank; and a majority of the Court drew a distinction between a tax upon a share in the bank and a tax upon a Government security; and they also based their decision upon the express declaration of Congress that these shares should be taxed. The Chief Justice, however, and Judge Wayne and Judge Swayne differed, and held that from the nature of the security itself, in any form or shape, the Government security could not be taxed. The majority of the Court drew the distinction between the shares in the bank and the bonds held by the bank, and allowed the shares to be taxed. In my judgment, such was the intent of Congress. It was a subject that was very much discussed here at the time, and, although I was opposed to the tax, yet it

was finally carried. The distinction made by the Court was taken by Senators, that the taking of shares in a bank was a reinvestment of the funds and a change of the form of security.

The question may be asked, Why put in this stipulation if the law was so clear? The answer is just as conclusive, that, as we were compelled to borrow money, it was important to inform all who chose to loan it, in the most authentic manner, of their rights and privileges under the Constitution. No doubt many a man, upon the faith of the direct pledge of Congress, superadded to the decision of the Supreme Court, loaned us his money in time of war, when he would not have done it if it was to be subject to local taxation.

I say, then, that no Senator should vote against this bill, or any bill of a similar character, on the idea that it is not now wise to exempt Government securities from State taxation. This is the settled principle of constitutional law, whether it is put in the laws or not; and the only question is whether by omitting to put it in you will give the lenders the power to make a better bargain with you.

I have no doubt that Congress may, as a part of the contract, and before the loan is issued, say that the States may tax the security. But, Mr. President, what effect would that have? Could you sell such bonds? Would you allow the Southern States now to tax Government securities? Would you allow them to have the power over your public credit which would be involved in their power to destroy the income from Government securities?—because, as Judge Huger says in the first decision made, if you give them the power to tax one mill you cannot restrain it. No, sir, the contract between the United States and all the citizens of the world is a contract higher than any imposition levied by a State; and we ought no more to tolerate the idea of levying a tax upon the securities of the United States, except by the United States itself, than Great Britain would allow any foreign Power to levy in Great Britain a tax on British securities.

It must be remembered that, by express provision inserted in all the acts passed during the recent war, United States bonds are exempt from State taxation. All the debt now outstanding is exempt. Even the bonds issued under the recent acts will be so exempt. Suppose you refuse in this bill to so exempt a bond bearing but five per cent. interest, or actually provide that they shall be taxable. Who would buy them? Who would surrender their present securities? How could you fund your debt? No device could be more perfect to continue the present high rates of interest. And what good would result to State or nation? None whatever. The State could not tax the present bonds, and the holders would not take your new ones. The only way is to stand by the inviolability of the bonds as declared by the Supreme Court and upheld by every party or president to this time.

I now wish to meet the argument so often and forcibly made, that it is unjust to exempt United States securities from local taxes. And, sir, I admit that if this is regarded as a privilege to the holder it is indefensible; but it is the privilege of the Government, not of the fund-holder. It is the supreme power of the whole people to borrow money on the most favorable terms that is taxed and limited by a tax

in the contract. Such an exemption is only justifiable on the ground that it enables the Government to borrow money on better terms. In the contract of borrowing the lender considers the rate of interest, the security of the principal, and the burdens of taxation. If no taxes are to be deducted from his interest, and the principal is absolutely sure and easily convertible into money, he is willing to part with his money at a low rate of interest. This is the reason of the exemption, and the Government is presumed to receive the taxes in the more favorable terms of the loan.

But, sir, when the tax-payer sees that the Government is paying a higher rate of interest than the law allows to a citizen, the exemption will be felt to be wrong. With the present rate of interest there will be a constantly growing jealousy between the bond-holder and tax-payer. The latter will complain that his property is burdened with all the expense of Government while his neighbor enjoys his full income free from all burdens. This feeling is founded upon so clear a sense of what is right that no wise legislator will disregard it. It is true that a contract once made can not be violated, whether it costs much or little; public faith demands an exact and specific performance; but an adjustment of this difficult problem ought to be made that will, while it preserves intact the rightful power of the Government to borrow money free from local taxes, require property in the funds to aid in the support of the Government. I have shown that this can not be done with safety to the United States by allowing States to tax our securities. Two other modes have been suggested: first, to tax directly by act of Congress the public securities at a rate equal to local taxation; and secondly, to reduce the rate of interest.

A proposition has been made by Mr. Hayes, one of our Tax Commissioners, to levy a direct tax on all United States bonds held in this country of one per cent. on the principal of the bond, or to reserve one sixth of the interest payable on a six per cent. bond. Such a tax applied to our present securities would be a breach of public faith. Congress may have the power to do it, using the word power in its unrestricted sense; but it would be unjust, a fraud upon our creditors, and would forever impair our public credit. It is an indirect violation of a contract made in good faith. It is true the United States did not stipulate that it would not tax the bonds, and the United States may properly levy an income tax upon public securities of any amount, as it may upon other incomes; but, when the United States selects this particular kind of property as the only kind of property upon which it will levy a specific tax, it is a violation of public faith. To levy the same tax on this kind of property that you levy upon other property would not be unjust; but to select it out and put upon it exclusively an income tax of sixteen and two thirds per cent., in order to defeat in this way the stipulated exemption from State taxation, would be a violation of the public faith.

This question of taxing Government securities is far from being a novel one. It has been resorted to in arbitrary governments many times. In France in the time of Louis XIV. and Louis XV., and especially during the regency that intervened, forced taxes on public

funds were resorted to, until the credit of that country was entirely destroyed. It was proposed in England in 1717, but was firmly resisted. I have here a paper attributed to the celebrated Henley, Earl of Oxford, written in that year, on the inviolable nature of public securities, and the arguments have not lost their force by time. He says :

Your project of raising money for this year's service, or of paying debts by taxing or lowering the interest of the funds, meets, I think, with too much approbation among some people who look no further than themselves and consider only the present difficulty, regardless of the consequences of their proceedings. The importance of the case seems to require that everybody should contribute what they can to set this matter in a true light, and examine without prejudice how much the interest of our country, its reputation and honor, its future good or evil, may be affected by it. . . . I can not but think that conscience is concerned, and natural honesty and public justice and the credit of the nation—everything that is sacred and inviolable in property is nearly affected; all obligations will be in a way of being canceled, and, in a word, an indelible character of injustice cast upon us. . . .

To support and maintain a man's private credit, it is absolutely necessary that the world have a fixed opinion of the honesty and integrity as well as ability of a person. If there be good reason to object against the one or the other of these, his credit sinks; no one chooses to deal with him, nor does any one care to trust him. . . .

This true, this only foundation of credit takes in all cases and all persons, public as well as private, national as well as personal. Just and honorable practices, fair and open dealings, a strict performance of contracts, a steady observance of engagements, will necessarily gain credit everywhere; and common experience teaches us that a breach in these as necessarily destroys it. . . . And, indeed, a readiness and willingness to perform one's engagements is such a fundamental of credit that all the affluence of money and the most immense riches are of no consequence if there be ground for the least suspicion of disingenuity. The ability of a person without natural justice rather makes a man cautious than forward to deal with him.

If, therefore, the legislature of any country should decline standing to its contracts or endeavor to impose other conditions than what at first were stipulated, I ask, would not such a conduct as necessarily impair the public credit as it would the credit of a private person? Has it not the same tendency to make the lenders jealous of their security? Who will venture to lend the public a second time if ever they find themselves not treated according to their contract? May there never be emergencies which may again oblige the public to borrow money? And if such case should happen, upon what foundation must they proceed if an instance can be produced, an act of the legislature which can never be forgot nor ever be repaired, to show that legal security is not a security, and that engagements are not to be understood literally? What is the natural consequence of this but that no man will lend the Government for the future, but at such interest and such advancements as are full equivalents to the hazards people may run in lending?

The whole of this very able paper has a close application to the questions before us, and would well repay the reading; and the remedy he proposes is the one I propose. He says:

If the lender be left at his liberty to receive his money or let it lie at lower interest (in case where funds are redeemable), no cause can be given of complaint. No injury is done, no hardship is offered. The integrity and honesty of the borrower is evident, and credit is indisputable. But if the borrower be his own judge and his own cause, and flies to an act of power because he can do it, it as necessarily sinks his credit as it takes away its foundation.

And, sir, this brings me to the plain and just remedy for all complaints of unequal taxation. Let us, in strict accordance with our en-

gagements, sell our improved credit. Let us go into the market, and, with our resources fully shown, our honor unimpaired, our securities free from all burdens, sell our bonds on the most favorable terms; and thus we shall receive in advance all the taxes we could levy upon our securities. We will soon get more than the one per cent. which Mr. Hayes proposes to levy. This policy, adopted in England, has reduced the rate of interest on public securities from six to three per cent., and has made the British consol the highest standard of credit in the civilized world.

Fortunately, our loans are now just in a condition when we can commence this reduction of interest. I showed awhile ago that we had \$177,000,000 of public debt within our reach now, and if it was known that no other but a five per cent. loan could be had, and that all maturing bonds were to be paid off in money by the sale of five per cent. bonds, public creditors would quickly convert their securities into such a loan. Large institutions, among them one of the largest in the State of New York, have made a proposition to convert their five-twenty bonds, maturing in May next, into this five per cent. loan. If I had my own way, I would not give them a thirty-year five per cent. bond; I would give a ten-forty five per cent. bond, retaining the principle of redeemableness, with a view to still lower interest; but the Secretary thinks he can not now negotiate such a loan as that, and therefore, for the present, I would give those the most ready to adopt the reduction policy the most favorable form of loan, but as soon as possible would reserve the power to reduce the rate of interest by the payment of the principal as soon as a bond without these exemptions, or at a lower rate of interest, would sell at par. This process must be gradual. It will not do for Senators to vote against this bill because they think five per cent. free of taxes is too high. We must get it down first to five per cent., then to four, and then to three, all the while faithfully observing our contracts; and we can do it.

It is not probable, if this bill passes, that during the present year more than \$100,000,000 of five per cents will be sold, because more than that would not be needed to meet the accruing indebtedness, unless it should be necessary to sell more to pay bounties to soldiers or some extraordinary expenditure. Next year the Secretary would have the power to pay off \$600,000,000 of the five-twenties if he could sell these five per cent. bonds. But it is important to pass the law this session in order to give him ample time to meet the obligations that are imposed upon him.

I say, therefore, that in every view which I can take of this bill it is a wise measure, intended to save interest upon the public debt, to adjust on correct principles equality of taxation, and to lighten the enormous burdens upon our people. And there is another feature which commends it to my favor. If this bill passes in the form in which it now stands, the fund-holders will themselves pay off the principal of the public debt. The one per cent. saved on the rate of interest will pay off every dollar of this debt in thirty-six years. When this matter is dragged into politics, as it will be, and the tax-payer says to the fund-holder "Your property is exempt and free from all tax,"

the fund-holder may say, "No, my friend, it is not. Your money you can loan to your neighbor at six per cent. interest, and the law enables you to collect the principal at pleasure; I have already paid for this privilege by deducting one sixth of my income; I have surrendered the principal sum loaned by me for an annuity for thirty-six years, and my share of the taxes will pay off every dollar of the debt within one generation." He may refer to the report of Mr. Hayes showing that the average tax in the United States is one per cent., and that sum, annually applied with the consent of the fund-holder, and paid by him alone, would pay the debt.

I accept the justice of the principle. I say that we can not go before the people and preserve the exemption from local tax unless we show that the United States will get some benefit from it; and by surrendering this one per cent. the fund-holders will be stronger and more secure than they were before. They will feel safer in the payment of the principal; they will know that the one per cent. thus saved is laid aside under the operations of this law and applied to the payment of the principal of the public debt; that it will pay off the principal of that debt in due time and without any danger of the misapplication of the fund, for it will be applied each year, thus adding to the value of the remaining funds.

The passage of this bill is now an imperative necessity. It is not my bill; it is not my idea. I think it is too favorable to the fund-holders. I think that a ten-forty five per cent. loan might be put upon the market at par; but the Secretary of the Treasury says that, without the two stipulations to which I have referred, he does not think that he can, to use the ordinary language of the day, float a five per cent. loan. I am therefore willing to give these stipulations to him, hoping that next winter we can repeal the clause exempting the bonds from income tax, and then let him issue a clear five per cent. loan. I do not think he will be able to issue over a hundred millions before that time. Perhaps next winter we may shorten the period during which the principal may be redeemable; and perhaps in a few years, if our country goes on prospering as it is now prospering, we may reduce the rate of interest as England has done, first one half per cent., then another half, keeping the body of the bonds always within our reach. The position of our public debt is just in that condition now, under the established policy of those who have regulated our finances, that it is within our reach, so that we can soon fund the whole of the public debt and reduce the rate of interest on all or nearly all of it.

There is another collateral advantage which will be derived from this bill. I refer to the provision in the fourth section. It will be remembered that the holders of the seven-thirty notes have the right by the terms of the option printed on the back of those notes to convert them into five-twenty six per cent. bonds at maturity, or to demand the money. Two hundred and forty millions of these notes come due in the month of August next year, and six hundred millions in the May following. Under the condition of the present laws, the Secretary of the Treasury will be compelled to accumulate and hold in hand two hundred and forty millions in order to meet the possible option of the holders of the seven-thirties.

What would be the effect? The withdrawal of \$240,000,000 of money from the circulation of the country, when it is now being reduced under the operations of the recent law, would be disastrous. It would be withdrawing one half of the circulating medium in order to meet an obligation when every particle of that money is necessary for the use of the people. Section four of this bill provides that the holders of the seven-thirty notes shall give a reasonable notice of their choice to take either the money or the bonds. They have the right to make that choice, and nobody proposes to abridge that right. They have the right to do it at the time stated, and nobody proposes to deprive them of it. What is proposed is simply to require them to give a reasonable notice of their choice of the alternative which they have, and that is put at six months. Some think that is too long and may complain of it. I do not think it is, for the large amount involved. It works no injury, because the bill provides that, in case they do not give their notice of the option, they get their money and the Secretary can provide for it. The probability is that the great mass of those notes will be converted into five-twenty bonds without cost; and one effect of having a five per cent. loan upon the market would be to float this large mass of indebtedness into the five-twenties as the holders have a right to do, while if you issue six per cent. bonds none of these holders will avail themselves of the option until the last moment, and then by demanding the money will greatly embarrass the Government.

It has been said in some of the public prints that this provision is a violation of the contract. It is no more a violation of the contract than the notice which is required by law in the case of a tenancy from year to year. If I am renting a house for a year or more, I am bound to give notice of my intention to retain it. It is a power, substantially, that Governments have always exercised. Take the original convertibility clause; we did not repudiate that clause, but we provided that the right of conversion should be exercised before a given time. There was some complaint made in the New York papers that this was a violation of the public faith, that we were repudiating our obligations; but it was not general. There are several precedents for this provision; but the most striking case was the one just alluded to, which was adopted after full debate and consideration. The United States notes originally issued, and still outstanding, had printed on the face of them, "The holder of this note may convert it into a bond bearing six per cent. interest in coin, and payable after five years and within twenty years." It was found that this privilege or option attached to the notes prevented the sale of the bonds, because no one would avail himself of that option, having the right to do it at any time; and therefore we provided that he should exercise that option by the 1st of July following or he should cease to have it. I have now one of these notes. The privilege printed on the face of it does not now exist; yet no one complains, as the right was not exercised at the time stated. It is a general principle of law that, wherever a party has a right to do or not to do a particular thing, a reasonable notice of his choice may be required. That is a principle of municipal law as well as of public law. It is required by nations generally, and inserted in many treaties.



And now, Mr. President, I have thus, without any preparation except the few figures and papers before me, presented the reasons for my earnest support of this bill. This is like most financial questions, which attract but little attention though they deeply affect the nearest interest of every citizen, his food, his clothing, his home, and, more important than all else, the honor of his country. Our attention has been so occupied with political questions affecting more keenly the interests of parties and partisans, that all the complicated problems of finance thrust upon us by the war have not occupied as much of the time of this Senate as some unimportant political measures. I almost owe you an apology for occupying your time so long, but I trust in a short time the waves of the recent war will settle in peace and quiet, and that all of us will look to the material interests of a great country, all of which are in our hands. I am so hopeful of the future, after escaping all the perils of the past, that I may not see the clouds that others see. War is apt to be followed by financial distress, and we may be affected by the impending war in Europe. Our bonds now held abroad may, and no doubt will, come back to us, and for a time will depress our securities. But war in Europe will open to us new markets. It will restore our commerce. We can well afford to redeem our bonds with the superabundant produce of the West. Our cotton crop will yield us exchange enough to absorb all the securities held abroad. Who can say that after the first panic the timidity of money may not cause it to flee from war in Europe and seek safety in our national securities?

Sir, what we need now is confidence in ourselves, in our resources, and in our destiny. Our country has been for years the refuge of the laboring man, where he has found employment, independence, and freedom. It will soon be the refuge of capital. It may become the place of deposit of the wealth of the world. Why should it not be? We as a nation have always observed our obligations. We have twice paid off a national debt. We have unexampled resources in men, in land, in iron, gold, coal, and in all the elements of wealth. Why, then, should we talk about taxing our national debt? Why place it in the power of every village corporation to affect our national credit? Why enter the money market offering usurious interest? Why pay now more than any good merchant in New York will pay? Why traffic our loans, a mortgage on all our industry, on worse terms than bankrupt nations of Europe offer? Go, backed by your resources, your unclouded and undisputed empire, the love and faith of your people, the respect of all nations—go, I say, with all these, and with confidence in yourselves, to the people, who hold your bonds, and you will be able to borrow money at five per cent., yea, before long, at four per cent. Go not to the money-changers. If they are allowed to fix the rate of your interest, they will continue it as it is with all its exemptions, until the people, fired at an injustice, will do wrong to correct it. I conclude as I commenced, that to compel the Secretary of the Treasury, by denying him this legislation, to issue more six per cent. bonds is a political crime.

## THE TARIFF.

IN THE SENATE, JANUARY 23, 1867.

The Senate having under consideration the bill to provide increased revenue from imports, Mr. Sherman said :

MR. PRESIDENT: Before the vote is taken on the amendment of the Senator from Rhode Island, I think it right that I should state the general views which have controlled my action as a member of the Committee on Finance, and which will control my vote on this and the various propositions of amendment that will be submitted to the Senate.

I listened yesterday with great pleasure to the speech of my honorable friend from New Jersey [Mr. Cattell], and was generally pleased with its tenor and scope. It sounded like a good old-fashioned Whig protective speech—the school in which I was educated, the faith in which I was taught, and in which I yet have confidence. But, sir, it seems to me that the Senator from New Jersey, in his zeal for protection, forgets that we are now legislating under peculiar circumstances, and are compelled to look at a state of facts far different from those that existed before the recent war.

In considering so complicated a subject as a tariff, nothing can be more deceptive than the application of such general phrases as a “protective tariff,” a “revenue tariff,” a “free-trade tariff.” Every law imposing a duty on imported goods is necessarily a restraint on trade. It imposes a burden upon the purchase and sale of imported goods and tends to prevent their importation. The expression a “free-trade tariff” involves an absurdity. Free trade implies a trade without restriction, while any tariff is a restriction on trade. A duty of ten per cent. is a limitation on trade as well as a duty of one hundred per cent., and they differ only in degree. So the phrase a “protective tariff” may be applied to every bill imposing duties on imported goods.

The first tariff act, passed soon after the formation of the Constitution, was called a “protective tariff.” One of its leading objects, as declared by Washington, was to foster and protect American manufactures, and yet the general rate of duties was but ten per cent. *ad valorem*. On the other hand, the tariff of 1846 is commonly known as a “free-trade tariff,” and yet the rate of duty levied by it averaged twenty-four and a half per cent. Every duty on imported merchandise gives to the domestic manufacturer an advantage equal to the duty, and to that extent every tariff is a protective tariff. When the duty is so high as to prevent importation it ceases to be a “tariff” and becomes a “commercial regulation.” So the general term a “revenue tariff” as descriptive of a tariff is deceptive, and is simply tautology. Every tariff bill is a “revenue tariff.” The word “tariff” implies revenue, and means a rate of taxation on imported goods. It is simply a mode of taxation adopted by all commercial nations as the most certain, convenient, and least expensive form of taxation. The common meaning attached to the phrase a “revenue tariff” is a general *ad valorem* tax on imported

goods, without regard to domestic manufacture. Such a tariff has never existed in any commercial country, least of all in Great Britain, where the duties are carefully levied to encourage their own manufactures. They do not now levy duties on manufactures, for the same reason that we do not care to levy a duty on anthracite coal. By a vast accumulation of capital, and by severe commercial restrictions maintained for one hundred years, they have a substantial monopoly of certain important branches of industry. They do not levy duties on such goods because none are imported into Great Britain, and the tariff on them would produce as little revenue as your duty on anthracite coal.

These general phrases, if not always deceptive, are totally inapplicable to any tariff law that any one would propose for the United States now. Free trade, if it means a mutual exchange of commodities with foreign nations without restrictions, is impossible. Our necessities compel us to tax every form of property or production. Every hour of domestic labor contributes some portion of its product to the wants of the nation. Under these circumstances it is the plainest principle of political economy that we should so frame our tariff laws as to produce the largest possible income from imported goods. Revenue is the first, highest, and most pressing want, and it must be so levied as to do the least harm to our own industry. It is in the application of this obvious principle that all the difficulty in framing a tariff law exists. This can not be done by applying any general rate or rule to all articles. We must discriminate between articles of luxury and articles of necessity; between articles that may be produced in our country and articles mainly produced abroad; between raw materials, necessary to domestic manufacture, and completed products of industry. The rate of duty must be modified by a multitude of circumstances as varied as human knowledge, and with details far more difficult than any subject of legislation.

Nor can we consider the question now as we should have done before the war. Then we had an opportunity to choose between imported articles; we might have thrown off the duty upon necessities, such as coffee and tea and various articles, because such duties were not necessary for revenue nor useful for protection; but now we are compelled to levy high duties upon everything, not only upon articles of absolute necessity, the duty upon which will undoubtedly add to the cost of the articles, but also upon all articles of American production, and even upon raw materials that are indispensable as the basis of our manufactures. We cannot now regard the subject in the same light or from the same stand-point that we did in olden times when the tariff was the great controversy between parties in this country. We have now to consider it in the light of facts created by the war. The first and obvious inquiry of every Senator in discussing the question is, how much is it necessary to raise by a tariff on imported goods? And here I may say that all the revenue that we are required to raise in gold must be raised by duties on imported goods. While we have a depreciated currency it would be idle to require domestic taxes to be paid in gold. It would be to legalize a paper currency and then to repudiate

it. In regard to imported goods the case is different. All imported goods are bought with gold; all transactions in imported goods are based upon gold. Imported goods, the product of foreign countries, can be purchased only by the money known in the commerce of the world. Therefore, in imposing duties upon imported goods, it is no hardship to levy them in gold, for thus the whole cost of an article of that description, when it enters into consumption, represents so much in gold. But if an attempt were made to levy in gold our domestic taxes, it would be very difficult to collect them, for it would impose on our people a burden they could not bear. It is manifest that we must raise all the gold we require for Government purposes by means of duties on imported goods.

By the financial policy adopted during the war—it is not necessary for me now to discuss the propriety or expediency of that policy—we are required to raise a very large sum of money in gold. The annual interest upon the outstanding gold bonds of the United States, according to a statement furnished me from the Treasury Department brought down to the 1st of January, 1867, is \$82,048,531. By the terms of all the outstanding notes bearing interest in currency, except the compound-interest notes, they are convertible into gold bonds bearing six per cent. interest. That conversion must be made in about a year. When those notes are converted the amount of annual interest that will be required of the Treasury of the United States will be \$131,353,977.40. To this must be added the amount needed to pay the expenses of our foreign intercourse, and our other gold liabilities, partly growing out of treaties, which it is estimated will amount to \$6,000,000 per annum. The expenditures for foreign intercourse, which are disbursed in foreign countries principally, must necessarily be paid in gold, the currency of the world. When we have added enough for this item, it will be evident that the amount of gold required to carry on the operations of the Government for the present fiscal year will not be less than \$140,000,000 in gold.

In addition to this there are bonds which, by the policy of the Government, are to be paid in gold, and which will mature before the end of the next fiscal year, amounting to nearly sixteen million dollars, namely, on the 31st of December, 1867, \$7,613,000, and on the 1st of July, 1868, \$8,169,000. These must be paid in gold; but probably they can be provided for out of the large amount of gold on hand, and need not be considered in this calculation. But at any rate it will be necessary to raise \$140,000,000 in gold.

It is therefore simply an absurdity to talk now about a free-trade tariff; and to talk about a protective tariff is unnecessary, because the wit of man could not possibly frame a tariff that would produce \$140,000,000 in gold without amply protecting our domestic industry. To the extent that the duties are levied upon articles that may be produced in this country the tariff operates as a protection. It is very clear that upon an ordinary year's importation the rate of duty that would have to be levied upon importations in order to produce \$140,000,000 would not be much less than fifty per cent. *ad valorem*, even if we could prevent all undervaluation or smuggling.

I assume, then, Mr. President, that the necessary object of this bill is to produce \$140,000,000 in gold, and that we may properly leave the question of protection to be settled as a matter of detail, with the certainty that any tariff which will yield the necessary revenue will sufficiently protect American industry. The degree of protection on different articles can only be determined by a careful inquiry into a multitude of details, while the paramount object—to raise revenue to the amount of \$140,000,000 in gold—must always be kept in view.

It is sometimes said that, as this is the great object, it is not necessary to change the present tariff, which will produce that amount, and has in fact during the last fiscal year yielded \$179,046,630. The answer is, that during the last fiscal year our importations were swollen beyond any former experience of this country, and can not be relied on as a basis for the future. Under the very same law the year before the amount of gold revenue was only \$84,928,260. It is manifest, therefore, that we can not depend for the next fiscal year upon the present tariff to produce anything like the amount that it did in the last fiscal year, and even during the current fiscal year the estimated receipts from customs are far less than they were in the last.

The peculiar circumstances by which we were then surrounded show that no estimate of future receipts can be based on the amount of the receipts during the last fiscal year. When the war closed the Southern States were entirely destitute of domestic or foreign fabrics. They were not only without clothing, but they were without the articles necessary to human life, of domestic and foreign manufacture. The stock on hand in the Northern States was largely reduced. Hence the moment the war was over large importations flowed in, and of necessity still larger demands were made for our domestic manufactures. But now that cause has ceased; the vacuum has been supplied. Not only so, but by the sudden fall of gold, which fell much more rapidly than the prices of labor or of other commodities, goods manufactured abroad became cheaper in proportion than American goods. The American manufacturer could not adapt his prices to the fall of gold because of the high prices of labor and material, and these could not be reduced owing to the high rate of taxation and the increased cost of food and of all the elements which enter into production. If the American manufacturer could have reduced the cost of his production in the same ratio that gold was reduced he would not have been disturbed by the fall of gold. The valuable statistics presented to us by Mr. Wells show that while gold at times went down to thirty and even to twenty-five per cent. premium, during all that time the ordinary addition to the cost of food was from ninety to one hundred and forty per cent., and the addition to the usual cost of manufacturing was from seventy to ninety per cent.; so that the fall in the price of foreign goods, which were paid for in gold, was far greater than the fall in the prices of domestic commodities. The domestic manufacturer was suddenly called upon to compete with the foreign market when the advantage was some thirty or forty per cent. in favor of the foreigner.

It was evident under these circumstances that domestic fabrics

must fall off, and that large quantities of foreign goods would flow in to take their place. This led to enormous importations, and it produced a very large gold revenue during the last year. But such a revenue can not exist longer without utter destruction to our producing interests. It is also clear that if the present relative condition of the prices of labor, commodities, and food, is maintained, nearly all our domestic manufactures must cease to exist. It is impossible under the present rates to maintain domestic manufactures unless one of two things occurs: either the price of labor must fall, or the price of gold must rise. The numerous gentlemen who submitted the result of their observations to the Committee on Finance admitted that if they could reduce the price of labor they could also reduce the price of their fabrics, and without additional duties compete with the foreign manufacturers; but they all said that was impossible; the laborer now was getting barely enough to maintain life; there were indeed strikes all over the country; some peculiar branches of industry were able to pay very large prices for labor, but in many cases, especially with the woolen and some other interests, the price of labor had not advanced in proportion to the price of food, so that the laborer was really receiving less now than he did before the war, although nominally he had double the wages he had before. The reason was that the prices of food, of clothing, and of all the commodities he consumed, have not declined sufficiently to enable him to live upon a less sum of nominal money.

If the present tariff law be continued in force we cannot expect it to yield more than one hundred and twenty-five to one hundred and thirty million dollars. It is clearly necessary, then, looking at this subject simply in a revenue point of view, to increase the duties on imported goods and to receive a larger amount of duties in gold.

It is not necessary for me to picture the disastrous consequences that would result to this country if we failed to pay our interest in gold—failed to meet our obligations. The absolute necessity that weighs upon us is, scrupulously to observe the public faith. During the war we were compelled to make contracts that may appear to our people to be onerous; and yet any man of ordinary patriotism feels that we must observe those contracts to their fullest extent. It is evident, therefore, that an absolute necessity rests upon us to raise, by some mode of taxation, an amount of money sufficient to enable us to meet our public engagements. The weight of these engagements has never yet rested on the people of this country. The reason has been that the interest on half the public debt was payable and paid in paper; but by the very terms of our obligations the whole of that interest will soon be payable in gold; and then we must meet the burden that will come upon us of paying it in gold.

If your tariff should yield but \$120,000,000 in gold when we have to pay \$140,000,000 in gold, the Secretary of the Treasury will be compelled to go into the open market and buy \$20,000,000 of gold to meet the deficiency. What would then be our financial condition? If, instead of selling gold now day by day, he were compelled to borrow or buy it in the open market to meet the interest on the public debt, what would be the consequence? The price of gold would rise. The

public engagements could be met only by a sale of our securities in a foreign market. That would be the saddest spectacle that could possibly be presented. It is manifest, therefore, that we must levy such duties upon imported goods as will place us beyond all danger of failing to meet our obligations.

Then, Mr. President, when you come to apply the duties to the various articles of importation, it becomes a simple matter of routine. I shall not waste much time in going into the various details now, because the questions will come up from time to time, as they are presented; but there are certain matters upon which the Committee have acted that it would be well to state in general terms.

The most obvious sources of revenue in a tariff bill are items usually classed as luxuries. In levying duties upon these articles there is but one rule laid down, not merely by the English and French writers, but by every nation that attempts to raise a revenue from imports, and that is to levy as high a rate as possible on them without reducing their consumption. The luxuries are mostly contained in three items: spirits, wines, and tobacco. These are undoubtedly the first objects which should be taxed; and in most countries, but especially in England and France, they yield a very large portion of the revenue. We, however, are unhappily placed in regard to these articles, as we produce them ourselves. We make our own whisky and produce our own tobacco; and therefore we do not and can not look to these items as so great a source of revenue as they do in other countries, where they produce no tobacco, but import all they use, and where it consequently can be taxed at the custom-house.

The rates of duty prescribed by the Senate amendment on these articles are substantially the rates of duty prescribed by the House bill, except in one important particular—in the article of wine. It was found on examination, and it is shown clearly by Mr. Wells's report, that wine of a cheap quality, really inferior to our ordinary cider, is imported in enormous quantities at the valuation of less than twenty cents a gallon, and pays a duty of some twenty or thirty cents, and is sold to our people in many cases at four dollars a dozen bottles, or about one dollar a gallon. This is really not the wine of France, or the wine of the country from which it purports to come, but an adulterated article prepared for the American market, having no market value in the country of its production, and sent here at a merely nominal price. It is found that, by the operation of the present tariff, the Government gained comparatively little revenue from it. Last year the revenue from wines amounted to about four millions. The Committee have proposed to substitute a uniform tax of fifty cents a gallon, which, in my opinion, is rather too small, but which will yield a much larger sum than the present *ad valorem* duty. I am inclined to think that while a larger rate of duty would probably prevent the importation of a considerable portion of the wine, the amount of revenue received would be greater even on a smaller quantity. The Committee thought proper to adopt a specific duty of fifty cents a gallon, and I am willing to try the experiment. In regard to tobacco the law is left substantially as it is, except in regard to the single item of cigars,

on which the rate is somewhat reduced because it was found that the present rate tended to prevent importation and to promote smuggling.

The next items which are always regarded in framing a tariff bill are such articles of common use as are called comforts, or perhaps luxuries—in this country they are the comforts of all classes of the people—sugar, tea, and coffee. The House of Representatives, I think without carefully examining the subject—certainly it was done without the sanction of the Committee of Ways and Means—threw off one half the duty on tea and coffee, on the ground that, as tea and coffee were used by all classes of our people, we ought not to tax them so high.

The truth is that the *ad valorem* tax on both coffee and tea is far below the general average of our tariff laws, six cents a pound on coffee and twenty-five cents a pound on tea, amounting to about from thirty to fifty per cent. *ad valorem*. If we had no need of revenue, if we were in a position to throw off taxes, if we had no system of internal taxation, if we had no taxes more oppressive and more burdensome than those on tea and coffee, they would be the first we should throw off; but it is manifestly improper now to dispense with a revenue of eight or ten million dollars merely to relieve our people from paying a tax that does not weigh heavily upon them. By doing so we would compel the imposition of \$12,000,000 in paper money upon our domestic productions. The Committee on Finance, therefore, thought it wise to restore the old rate of taxation, and that yields on the articles I have already named—wines, tobacco, spirits, sugar, tea and coffee—from fifty-five to sixty million dollars, or about two fifths of all the revenue that is necessary to be produced from imported goods. These articles are more staple in their yield, more uniform in their consumption than any other articles on the list. Although used to some extent by all the people, the great body of them are used by those who are able to pay for them. Besides, the duties on these articles are more easily and more surely collected. The duties are specific, and there can be under this bill no undervaluation. Besides, the articles are heavy; they can not be smuggled in; their quantity is easily ascertained. They are articles that in all countries are looked upon as the main sources of revenue. We cannot afford to throw off now a certain revenue of \$10,000,000. At a time when we are compelled to levy internal taxes upon every branch of our industry, when the widow and the orphan, when the farmer and the manufacturer, when the laboring man and all classes of our citizens are compelled to pay largely increased prices for their food and clothing by our system of internal taxation, we certainly ought not to throw off this, the easiest and best form of taxation.

We come now, Mr. President, to the duties on manufactures, and that for the first time presents the question of protection. In regard to the articles I have already discussed, although we do produce tobacco and wine in this country, the question of protection is not necessarily involved, and we regard simply the question of revenue.

It is necessary in levying duties to discriminate in favor of our own industry on all articles that can be produced in this country by the ordinary application of skill and labor. It is manifestly the duty of the



country to protect American industry to that extent, not simply on account of the old-fashioned argument that we used to have before the war, that as a policy it is better to diversify our industry, and manufacture all that is necessary for our own consumption, but on other grounds. We must now protect American manufactures, not merely against foreign competition, but also against the effect of our own laws. This is really all the protection they now need.

If you converse with intelligent men engaged in the business of manufacturing, they will tell you that they are willing to compete with England, France, Germany, and all the countries of Europe, at the old rates of duty. If you reduce their products to a specie basis, and put them upon the same footing they were on before the war, the present rates of duty would be too high. It would scarcely be necessary for any branch of industry to be protected to the extent of the present tariff law. They do not ask protection against the pauper labor of Europe, but they ask protection against the creation of our own laws. These are our paper currency and our internal taxation.

Foreign capital in Canada, and elsewhere, is not compelled to carry on business under the depressing influences that surround us. Manufacturers abroad pay no internal taxes; they do not have to buy with paper money at the inflated prices always produced by paper money. Take the case of the manufacturer of iron. If he were at liberty to hire his labor, buy his provisions, and the articles which enter into the production of iron, upon the gold basis, he could compete with the labor of Europe. The advantages of freight and other advantages would enable him to do it. But if you compel him to pay two hundred per cent. for his food—and more than half the cost of all the iron produced in this country is food—if you compel him to pay largely increased prices for clothing for his laborers; if you add largely to the cost of everything that enters into the elements of his production, as a matter of course he can not compete with those who are not subjected to similar burdens. It is not British or foreign competition that produces distress among the manufacturing interests of this country at this time; it is the effect of our laws.

The chief evil arises from a depreciated currency. The inevitable effect of paper money is to advance prices far beyond the difference between paper and gold, and indeed it is sometimes held to be one of the virtues of paper money that it does advance prices and give higher wages to labor. I do not wish now to enter into an argument on that question; but we know that the existence of paper money does tend to raise the prices of commodities in this country, and that the American manufacturer can not, with paper money and with high prices caused by taxation, compete with foreign productions. What, then, has he a right to ask? He has a right to ask that, if the laws impose upon him additional burdens, they should give him additional protection. That is the demand made, and it is impossible to resist it.

It may be asked then, why continue our present paper money; why continue our internal taxation? I wish we could dispense with them; but certainly it is now impossible. If we could come back to-morrow to the specie standard, and remove all the taxes that we have imposed upon

our labor, we should all be glad to do it. I suppose there is not a Senator within the sound of my voice who will not admit that a specie basis is the natural condition of trade; that for a currency there ought to be something stable and intrinsically valuable, made so by the labor necessary to produce it. Everybody admits that gold and silver are the only real standard of value; that that which regulates exchanges must be the production of labor. Gold and silver are the product of labor in its most permanent, convenient, and unchanging form, and constitute therefore the best standard of currency. But, Mr. President, we were driven to the use of paper money: we could not have carried on the war without it; the circumstances by which we were surrounded compelled us to resort to it; and I believe that every sensible man who examines our affairs must admit that without the free use of our credit, coined into money, we could not have carried on the operations of the war, because we should not have had a circulating medium with which to pay our soldiers for their services, and to feed their wives and children while they were away from them.

It is sometimes said the foreigner has to pay his duties in gold, while the manufacturer pays his taxes in paper money, and also pays the additional cost of labor in paper money, and they say the difference between gold and paper money is a sufficient protection. That argument would be valid but for this important fact, that the price of labor and of commodities is far more advanced than the price of gold. Gold is the cheapest commodity in the market. The importer has the benefit of that condition of affairs; he has a discrimination in his favor, because while the cost of American manufactures has increased about a hundred per cent., the price of gold is only about thirty-six per cent. above that of paper. It is apparent, then, that the system of paper money is a discrimination in favor of the importer of foreign goods. That discrimination was made manifest in its effects by the enormous importations made during the past year; and by the fact that when gold went down twenty-five per cent., importations increased, while the prices of domestic commodities and of labor did not materially fall during that time. While gold went down from two hundred to one hundred and twenty-five, the price of labor was not materially affected. The large demand for foreign and domestic supplies kept up the market. Thus the manufacturer met a competition, not growing out of foreign labor, but resulting from our own laws, which prescribed currency for him and gold for the importer.

I do not know that I have made myself understood; but this is the leading reason why it is necessary to give to the American producer, in all the different stages of production, some countervailing protection to balance the effect of paper money.

Another reason is, that the system of internal taxation which our necessities compelled us to adopt, throws upon the American producer an enormous burden which the foreigner does not have to bear. Take the case of a shop or a mill in Canada, on our frontier, where labor is one half what it is here: do you suppose that an American producer can compete with the Canadian manufacturer? Take the case of England, which is more striking yet, where by a long existing system they

have reduced the cost of production to the lowest possible limit, where by their plan of taxation they favor all manner of production, where the cost of labor is reduced and the duties imposed amount to but little, and where the manufacturer gets his raw material free: is it possible for the American to compete with the English manufacturer when he has to contribute to \$310,000,000 internal taxation? It is impossible. We were compelled by the necessities of war to levy directly a tax of five per cent. on his productions; we levy a tax of five per cent. on his income; we levy a large tax upon every element which enters into the cost of his labor. It has been estimated, and I think correctly, that the actual taxes upon American manufactures, direct and indirect, amount to about twenty per cent. on the capital employed. Mr. Wells, in his report, clearly shows that the various taxes levied upon cotton manufactures amount to about twenty-two per cent. upon the capital employed.

Is it possible for American manufactures to be maintained, for American workshops to be continued, unless the Government is willing to give some protection against its own laws? Can the manufacturer pay these enormous taxes upon the basis of paper money, and yet compete with labor in Europe, where the manufacturer pays no taxes, where he has his raw material free, where every element is in his favor? I think it is impossible. If, therefore, we would protect our American industry against our own laws, we must make the duties on foreign goods commensurate with the taxes imposed upon our manufactures, and thus enable them to continue the competition that has been carried on for years.

It is not necessary for me to go into familiar facts to show that the effect of domestic competition is to cheapen the price of products. Under the stimulus of our laws great numbers of American manufactures have grown up with a rapidity unexampled in the history of any country. England was more than one hundred years in building up her system of manufactures. Ours have been built up since 1828. At that time New England was a mere commercial community; now it is a manufacturing community. At the time when the great friend of America, the Earl of Chatham, said that the laws of England should be so framed that no shoe-nail could be made in America, we could scarcely make one. We imported everything. There was scarcely a factory in America; and so it continued, with but slight progress, for fifty years. American manufactures took their birth in 1828 under the heavy restrictive duties of the tariff law of that year. Since that time they have grown to amazing proportions, until they are now in value ten times the importations of the country.

I was somewhat surprised at the tables produced by my friend from New Jersey yesterday, and especially the table prepared by Mr. Delmar, show that in 1860 the annual productions of this country—agricultural, mechanical, etc.—amounted to \$6,700,000,000 in gold. I thought it was pretty large, and I should like to see the elements of Mr. Delmar's figures; but he foots up \$6,755,587,957. A large proportion of these productions were in manufactures which have been built up within the last thirty or forty years.

Of the \$310,000,000 of taxes levied upon productions in the form of internal revenue, about \$170,000,000 is paid directly or indirectly by manufactures. True it is finally collected again from the consumer; but, as it is added to the price of the commodity, the manufacturer must reduce his price to compete with the foreigner, or he must abandon the market.

Under these circumstances it is apparent that the present rates of duty, although higher than they have ever been before, must be increased, or there must be a reduction in the price of labor in this country, or an increase in the price of gold. I think we have thoroughly tried the last experiment. Then, unless we give to the American manufacturer some increased protection against our laws, the price of labor must fall and the price of food rise. The people will have to meet the internal taxes with less daily pay, and the result will be that we shall have distress and complaints: not repudiation, I know, but dissatisfaction with the laws. While imported goods, the products of foreign industry, are flowing into this country in great quantities, our own industry is being depressed, our manufactures broken down, our shops shut up.

Now I come to a part of this bill which is the only one which induced me to engage in this discussion, and that is the part relating to the proposed duties on agricultural products. Here there is a conflict of interest between agricultural and manufacturing industry, or at least there is supposed to be; but I believe there is not and ought not to be. The manufacturer generally looks upon everything he has to buy as a raw material, and everything that he has to sell as a finished product. The revenue commissioner has fallen into the same error, and he calls wool a raw product. Wool is not a raw product to the farmer, though it may be to the manufacturer, because to the farmer it is the completed product of his industry. So of the cereals; wheat, flaxseed, rye, barley are not raw materials to the farmer, but they are raw materials to the manufacturer who consumes them. They are the result of labor; they are the complete product of the labor of the farmer. His raw material is his land and his labor, while his product is wool, wheat, barley, etc.

Mr. President, if in the present condition of affairs we levy duties on imported goods so as to give the farmer no protection against competing labor, we do an act of gross injustice, and such a tariff cannot be enduring. We very well know that the great body, I believe four fifths, perhaps five sixths, of our people, are engaged in agriculture. They usually, on account of the weight and bulk of their articles, do not require anything like the protection that other industries do, because the very bulk of their products gives them an advantage in the home market. But if they are compelled, on ordinary articles of their production, to compete on equal terms with the cheap labor of other countries they will naturally be dissatisfied.

How do you maintain the doctrine of protection in a tariff? You say to the farmers, "Protect our industry, build up our manufactures, and we will start shops in your neighborhood and consume your products; we will give you the benefit of a home market." That is all very well and very plausible, and it has induced the great body of the farm-

ing community in this country to be what are called protectionists. Ohio, always an agricultural State, was a protectionist State, and the farmers were probably as much protectionists as any other class. Why? Because they believed that by building up manufactures in this country they would have the benefit of the home market. But if a manufacturer in Rhode Island who consumes a million pounds of wool, after he has got the benefit of all the protection he wants on his woolen goods and has raised the price of them to the farmer who has to buy them, says, "I can buy my wool cheaper in South America, and am opposed to duties upon wool, because it is a raw material," you will find that the farmer will be discontented. You must extend protection to everything that is made up by labor, and you cannot stop short of it. If wool is a raw article to the manufacturer, cloth is a raw article to the tailor. The principle is correct as to wool, or it is wrong as to cloth.

In ordinary times protection is not necessary to the farmer, because with the advantage he possesses in a rich soil and cheap land he can compete with the products of other countries. Our agricultural industries do not often want protective duties and have rarely called on Congress for them; but now, when the prices of all commodities are raised by high extraordinary prices, the farmer has a right to demand and does demand that the same protection should be extended to him as to other industrial interests.

I wish in this connection to make some reference to the report of Mr. Wells on wool, and I do it with sincere respect for him, because I know from personal observation that he is not only industrious and able in the discharge of the duties imposed upon him by law, but I believe that he is as well qualified from his experience and intellect to discharge those duties as any man in the United States; but at the same time, in regard to some interests that affect my own constituents, he has fallen into many errors.

He is opposed to the proposed increase of the duty on wool, and has supported his opinion with all the reasons that can possibly be given, and he bases it mainly upon the assertion that every cent added to the duty on wool costs the consumer of the wool \$6,000,000, and therefore that a duty of ten cents a pound would add to the cost of the wool and woolens consumed in this country some sixty million dollars. There is a great deal of fallacy in this mode of reasoning. Suppose you were to apply that principle to another protective duty. Suppose we should turn round to the iron men and say, "Here, your duties on iron add to the cost of all the iron produced in this country the full amount of duty, and the consumer has to pay that additional value, and all this costs the people of the United States too much." If that is the mode of reasoning, there is an end of all protection. You must show that all classes of the community get the benefit of this principle or you must abandon it altogether. You cannot maintain that it is a hardship for the wool interest to demand protection any more than the iron or other interests. Take the case of cotton manufactures, the duties on which are fixed in this bill at from fifty to sixty per cent. Undoubtedly to a considerable extent these duties are added to the cost of the articles to the consumer; and I might make a formidable array of

figures to show that, in order to sustain the manufacturers who are the constituents of my friend from Rhode Island, the people of Ohio are compelled to contribute out of their pockets a number of millions of dollars. That would not be a fair mode of argument, and yet it is precisely the mode of argument with which we are met in regard to the duty on wool. It is strange that the manufacturers, who have been aided by protective duties, should resort to free-trade arguments when the farmers demand a far less rate of protection than they have received.

But there is an element of error in the computation itself as well as in the principle of the computation. The Commissioner, without giving us the basis of his computation, declares that there are one hundred and seventeen million pounds of woolen goods manufactured and consumed in this country, and that there are imported thirty-three million pounds of woolen goods. He thus puts the whole quantity of woolens consumed in this country at one hundred and fifty million pounds. Then he says, as it takes four pounds of raw wool imported into this country to make one pound of woolen cloth, therefore the amount of wool consumed in this country must be six hundred million pounds. That is absurd. The largest quantity of foreign wool imported into this country in one year was never over eighty-four million pounds, and the average is about sixty millions; the largest clip of wool ever grown in this country, and that was last year, was one hundred million pounds, while the average is eighty millions; showing but an aggregate of one hundred and eighty-four million pounds, or enough to make forty-six million pounds of cloth instead of one hundred and seventeen million pounds.

What is the use of taking a computation of this kind in the face of plain, palpable facts? The wool imported in the form of woolen goods I leave out of view, because the computation is that one hundred and seventeen million pounds of woolen goods, aside from those imported, are consumed in this country. That would show a production of wool here amounting to about four hundred and sixty-eight million pounds.

The wool-growers never pretended, and no one that I have ever seen pretended, that the clip of this country was over a hundred million pounds. It is generally estimated at eighty-four or eighty-five millions, while the highest quantity of wool ever imported into this country was but eighty-four millions, and the average but sixty millions. Two years ago it was only forty millions, and last year eighty-four million pounds were imported, the highest importation ever made.

Let us examine the reasoning upon which the Commissioner bases his estimate. He says:

The number of sets of woolen machinery or series of cards employed in the United States, reported to the Wool-Manufacturers' Association in October, 1865, was 4,100, consuming 2,252,545 pounds of scoured wool and substitutes for wool per week; but these returns, it was stated, did not probably indicate more than three fourths to four fifths of the sets then in actual operation.

Upon a statement that in a certain week in October the quantity consumed in the woolen factories, then driven to their extreme, was so much and then multiplying that by fifty-two we have the basis of the computation. That is an insufficient mode of reasoning. I have no

doubt that the duty on wool will add somewhat to the cost of the woollens consumed by the people of the United States. To what extent it is difficult to say, because it is always difficult to estimate how much of the duty will be paid by the importing merchant, how much by the foreigner who raises the wool, how much by the consumer, and how much of it will be cheapened by the increased manufacture or by the increased competition in domestic products. These are unknown quantities about which men may theorize as much as they choose. I take it though as a general principle, and admit beforehand that every duty adds to the cost to the consumer.

There is another statement here made in regard to this matter in which I think the Commissioner must have fallen into an error, and I intend to call his attention to it this morning. He endeavors to show that the wool interest is a prosperous one; that the growth of wool is a prosperous and profitable branch of industry in this country, and he quotes from a gentleman who is highly esteemed by men engaged in this business, Mr. Randall, who wrote a book called the "Practical Shepherd." He quotes from Mr. Randall, who says:

How very striking is the fact that, during thirty-eight years [ending January 1, 1862], and with all the disturbing causes to the wool market, there has not been a single year in which the average price (42·8) for the wool marked "medium," would not *now* pay the actual cost of producing our heavy-fleeced American merino wools. . . . Of the production of how many other of our great staples of industry can as much be said?

In this Mr. Randall says that the average price they have received for their wool, according to statements up to a certain time, was forty-two and eight tenths cents per pound. Mr. Randall's statement was written in 1863, and was based upon calculations made prior to January, 1862, and prior to any increase on the price growing out of the war. The computation made by him was literally true, that at forty-two and eight tenths cents per pound for wool, the average rate, the business of sheep-growing would be a remunerative one. If the wool-grower now had forty-two and eight tenths cents per pound in gold for his wool—and that was what Mr. Randall was talking about—it would be all he wants, all he could ask. But now this same report goes on and says:

The present prices of New England, New York, and Ohio unwashed wools (New York price current, November 3, 1866) range from thirty to forty-six cents per pound, and at these rates it is claimed that the business of wool-growing, particularly in the States of New York, Pennsylvania, and Ohio, is very far from remunerative.

This report shows that, while for a period of years before 1862 the price of wool was forty-two and eight tenths cents in gold, it is now less than that in currency. Is it possible that the wool-growers can continue their industry upon this basis? Does it not appear from the very facts here stated that the cost of that wool, and of the labor of its production, has been increased by the paper currency and internal taxation, while the price of the product has not increased? Can you suppose the men thus engaged in an industry which yields one hundred million pounds of wool, or at the old rates \$42,000,000, can carry it on without some protection? The manufacturer in South America

can buy his wool cheaper than he can in Ohio. The cost of freight from Ohio is as great as the cost from South America—the precise rates I can not tell—water transportation is so much cheaper. Is it possible for the wool-grower thus to compete? Unless you give him a protection equivalent to the advance of prices since we have substituted paper money for gold, can you expect him to be satisfied? The wool-growers of this country, as a rule, are among the small farmers of the country. Most of the sheep are owned in small flocks of from one hundred to two hundred. Very few of the farmers, comparatively, have large flocks. When they see that their product, upon which they rely to help pay internal taxes, has not advanced in price one cent beyond what it was at the beginning of the war, and that they are now with insufficient protection called upon to compete with South America and all the cheap wool-producing countries, you must expect them to be dissatisfied.

The average duty, as shown by the tables here, paid on South American wool, is a little over four and a half cents a pound. Certain wools are brought in at three cents; certain wools at six cents; certain wools at twelve cents. The average as shown by the tables is four and a half cents. The gold value of the wool, according to this statement, was before the war forty-two and eight tenths cents; so that the actual protection which the farmer now gets to compensate for the derangement of the currency, for his share of internal taxes, is only one tenth of the cost of wool in 1862.

When these two rival interests met together in a convention called by the manufacturers themselves, and the whole matter was there discussed, it was agreed between them, after full discussion, that the rates of duty reported by the Senate bill should be given them, and they were satisfied with them, and have never called them in question. The manufacturers then made the claim that if the duty was put on wool they ought to have a corresponding duty on the cloth. That was freely yielded. The principle is proper; that is, if a duty is levied upon the raw article, an equivalent amount should be added to the duty on the product in order to enable the American manufacturer who converts that wool into cloth to compete with the foreign manufacturer. I trust that in the present tariff the arrangement between the wool-growers and the wool-manufacturers will be carried out. I would prefer myself to take it in the very words they have given us, so that if they are not satisfied hereafter they cannot complain of the proper Committees of Congress for any mistake. I would take them at their word. I think their demand is a reasonable one, and I would be willing to give it to them as they ask it, so that if there is anything wrong in the practical working of their scheme they themselves may have the responsibility of it.

It is said, I know, that there was a very important class of our people not consulted when this arrangement was made. That is true: the consumers were not consulted, and the consumers have to pay the increased cost; but all other branches of industry in which these same consumers are interested are sufficiently protected by the duties imposed by this bill. The duties on wool and the duties on all agricultural



products provided for in this bill are less per cent. *ad valorem* than the duties on manufactures. This is properly so, because they are so bulky that they protect themselves in great measure, and because on account of the cheapness of our land we have the advantage over foreigners and have less need for protection.

Here, in order to save me from addressing the Senate again, I may say that there is another agricultural interest in which the people of Indiana and Ohio are very largely interested, and that is flaxseed. By the present tariff, with which they are much dissatisfied, the duty on flaxseed is a little less than eleven cents a bushel. There is a nominal duty of sixteen cents, but a reduction is made from that duty, of the drawback on the cake made from imported seed, which reduces the duty in favor of the farmer to about ten and a half cents. The effect of that drawback is that cake made from American seed is not worth as much in New York by five cents a bushel as the foreign cake of the same quality. That discrimination is made against our own industry. The duty then is really less than eleven cents a bushel, and at present prices it is only about five per cent. *ad valorem*; while on the other hand, on flaxseed oil, which is nothing but the expressed juice of the flaxseed imported from India, there is a duty of twenty-three cents a gallon, or what is equivalent to a duty of about fifty-one cents on a bushel of seed, so that the discrimination made against the agriculturist is about forty cents a bushel. There is great complaint about this. That the crusher ought to have some protection there is no doubt, though I think myself the crushing of the India seed is one of those forced unnatural trades that can only be sustained by a very high rate of taxation, but as it is in existence I am willing to give it a fair protection. That is one point of difference between the House and Senate bill, and as I do not intend to enter into the discussion of the question hereafter I will simply say that the House had the subject before them a long time, and after much controversy settled it, I think, on a proper basis, by giving thirty cents duty on the seed and thirty cents a gallon on the oil, which is equivalent to a protection of thirty-seven and a half cents per bushel to the crusher of imported seed. If the oil is imported in the seed it will pay a duty of thirty cents a bushel, which will produce two and a quarter gallons of oil or fourteen cents a gallon. If imported as oil it will pay a duty of thirty cents a gallon, giving to the crusher a protection of sixteen cents a gallon for the simplest form of mechanical labor. Surely this is enough.

Mr. President, there is but one other part of this bill to which I wish now to call the attention of the Senate, and that but for a few moments. The Secretary of the Treasury in his annual report states that the extent of the undervaluations and fraudulent importation of foreign goods amounts to about twenty per cent. of the whole. That this is true is known to every one in trade. In certain articles, which are solely manufactured for the American market, the invoice prices are merely nominal, and as most of the duties are *ad valorem* they pay merely nominal amounts. The loss from this source and from smuggling, according to the report of the Secretary, is \$35,000,000 a year. It is manifest that this ought to be corrected. It is said that on

account of this system of undervaluation many branches of our foreign trade have got into the hands of unprincipled men. Merchants who have their chief office abroad invoice their goods and consign them to an agent here, so that we have no responsible person to punish for a violation of our laws. The present remedy is to seize the goods and go through a long litigation.

In England custom-house oaths are not recognized, and the value of imported goods is ascertained by inspection. If in the opinion of the proper appraisers the goods are undervalued, the Government simply says to the importers, "I will take these goods at your price, and allow you a reasonable profit on them," and they are sold for public use. The result has been in England, I am told, that all systems of undervaluation have been broken up. The same plan has been adopted in the treaty between France and Italy, a copy of which I have before me, so that goods imported from Italy to France, or *vice versa*, and when received at the custom-house ascertained by inspection to be undervalued to the extent of five per cent., are seized and sold for the Government. The importer receives his own valuation for the goods together with a profit of five per cent. If he complains he is sufficiently answered by saying, "We took your goods at your own price, at your own valuation; if there is an error you made it yourself." The result has been that undervaluation is too dangerous to be practiced.

This device has been applied in many cases in both England and France with great advantage. The Committee on Finance have therefore introduced into the bill a provision somewhat similar to the English regulation, except that the English law, where the goods sell for more than ten per cent. in addition to the valuation, allows the custom-house officers one half of the excess. The Committee on Finance thought it best not to insert that feature, for the present at least, until the system was tried. The section contained in this bill authorizes the custom-house officers, in the case of undervaluation to the extent of ten per cent., to seize the goods as the property of the United States and sell them. If the importer complains about it he is paid at his own value, and ten per cent. allowed him for profits and for expenses of importation and sale.

With these general observations I leave this bill. Although some portions of it do not meet my views, and I shall probably vote for modifications, yet I believe the bill as a whole will be beneficial. The bill of the House, in my judgment, was defective in several important particulars. In the first place, by throwing off half the duty on tea and coffee, it reduced the duties on those articles more than we can bear. Another objection to the House bill was, that on many articles the rates of duty were made so high as absolutely to prohibit their importation, and consequently to utterly destroy the revenue from them. The present bill, founded upon Mr. Wells's bill, but very materially modified by the Committee on Finance, will give every industry of the country a fair and reasonable protection. It will not reduce the aggregate revenue from manufactured goods. From the statements made to us I believe that under it every industrial interest in our country can be prosecuted with reasonable success under favorable circumstances,

and yet at the same time there will be such a competition between the foreign and domestic producer as to yield us a fair revenue on imported goods.

Nor am I alarmed by the statement made by my friend from New Jersey yesterday, that the amount of goods imported into this country was the enormous sum of \$305,000,000. We must import goods to get revenue; and, when I reflect that \$305,000,000 is only five per cent. of the magnificent production he shows we have annually made in this country, I do not think we need be frightened at the amount of imported goods. We can not entirely break up the importation of goods without surrendering our revenue. We dare not do that. The necessity rests upon us of raising \$140,000,000 of gold. We must not, therefore, materially affect the trade between foreign countries and our own. All that our own people can ask is, that such reasonable protection shall be given to them that our currency and our system of internal taxation shall not operate injuriously to their interests.

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## THE PUBLIC DEBT.

*IN THE SENATE, DECEMBER 17, 1867.*

Mr. Sherman made the following report:

THE Committee on Finance, to whom was referred so much of the President's message as relates to the public debt, and the report of the Secretary of the Treasury on the state of the finances, is called upon to report upon three important subjects necessarily connected with each other:

First. The funding of the public debt, and, as an incident to it, the redemption of the bonds commonly known as the five-twenty bonds;

Second. The taxation, State and national, of the public securities; and

Third. The redemption and conversion of the United States notes or legal-tender currency.

Questions are presented in regard to each of these, the solution of which ought not to be delayed. There are disputes as to the mode of the payment of the public debt seriously affecting the public credit; there is wide-spread complaint as to the exemption of public securities from taxation; and the evils of a depreciated and unconvertible currency are so manifest, both in public and private business, that the early attention of Congress is properly called to them by the executive authorities.

It should be the effort of Congress not merely to declare and obey the existing law, but to adopt a comprehensive policy that will preserve the public faith, restore confidence to the people and stability to our business interests, and yet appeal to the sense of justice of our constitu-

ents if it is unhappily drawn into the arena of party politics. Financial matters ought not to be in any sense partisan, but they may become so. Unless Congress can adopt a policy meeting all the requisites named, the contest on these most delicate and difficult questions may be transferred to the polls, where the heat of party strife may lead to dangerous results.

It is impossible to overstate the importance of these questions. Next to the existence of government itself, and the security of personal rights, come the protection of property, the preservation of the public credit, the adjustment of taxes, and the regulation of the currency. Nearly all the legislation of peace is the legislation of finance. The action of Congress on these subjects affects the value of all property in the United States; the reward of all labor; the income of the rich; the wages of the poor; the pension of the widow; the enterprise and industry of all classes of our people; and thus touches the home and heart of every person in the United States. Therefore, in reporting upon these questions, your Committee appeal to the generous forbearance of each Senator not to condemn until he is convinced, to criticise with kindness, and to lend us the aid of his intellect and experience in making the measure proposed such a one as will accomplish the great objects we all have in view.

Before examining the several provisions of the bill, your Committee begs leave to state the present condition of the public debt. It consists of numerous forms of public securities, nearly all of which grew out of the urgent necessities of the late war. The calls for money to maintain the army and navy were so imperative that many different forms of loan were resorted to, and, as a means to enable the Government to reach the resources of the people, a currency was improvised. This currency now forms a part of the public debt, and, being a legal tender in the payment of debts, is in the nature of a compulsory loan without interest. It has proved so convenient a currency that, apart from the advantage the Government derives from it by the saving of interest, it has been and now is of great importance in promoting enterprise and the exchange of domestic products. It only remains, either by reducing the amount or by other means of increasing its value to the standard of gold, to make it not only the most favorable form of loan, but the best national currency yet devised. During the war the residue of the public debt could only be contracted at high rates of interest and upon onerous conditions, caused by the uncertainty of our ultimate success, and by the efforts of a portion of our people to depreciate the public credit. For this reason those who were charged with the national finances constantly kept in view the principle of "redeemability" of the principal of the debt within a short time, with the confident expectation that the close of the war and the success of the national cause would enable us to redeem it by a loan on more favorable terms. The necessity of funding the public debt, as soon as possible after the war closed, into one clearly defined loan, at as low a rate of interest as possible, has been conceded by every one. The only questions are as to the most favorable time and manner.

When this subject was under discussion a year or two ago, two

chief difficulties were alleged to lie in the way. One was the compound-interest notes, now either paid off or provided for; the other was the option of the holders of the three-year seven-thirty notes to demand payment in money, or to convert them at their maturity into five-twenty bonds. These are now either converted or in such a state of conversion that, for our purposes, we may estimate the \$285,587,100 of seven-thirty notes now outstanding as a part of our five-twenty bonds, into which it is the option, the interest, and no doubt the purpose of the holders to convert them.

Our public debt is stated thus :

*Statement of the Public Debt of the United States on December 1, 1867.*

DEBT BEARING COIN INTEREST.

Five per cent. bonds, ten-forties, and old fives.....	\$205,532,850 00	
Six per cent. bonds of 1867 and 1868.....	14,690,941 80	
Six per cent. bonds, 1881.....	282,731,550 00	
Six per cent. five-twenty bonds.....	1,324,412,550 00	
Navy pension fund.....	13,000,000 00	
		<u>\$1,840,367,891 80</u>

DEBT BEARING CURRENCY INTEREST.

Six per cent. bonds.....	\$18,601,000 00	
Three-year compound-interest notes.....	62,249,360 00	
Three-year seven-thirty notes.....	285,587,100 00	
Three per cent. certificates.....	12,855,000 00	
		<u>379,292,460 00</u>

MATURED DEBT NOT PRESENTED FOR PAYMENT.

Three-year seven-thirty notes, due August 15, 1867...	\$2,855,400 00	
Compound-interest notes, matured June 10, July 15, August 15, and October 15, 1867.....	7,065,750 00	
Bonds, Texas indemnity.....	260,000 00	
Treasury notes, acts July 17, 1861, and prior thereto.	163,011 64	
Bonds, April 15, 1842.....	54,061 64	
Treasury notes, March 3, 1863.....	868,240 00	
Temporary loan.....	2,880,900 55	
Certificate of indebtedness.....	31,000 00	
		<u>14,178,363 83</u>

DEBT BEARING NO INTEREST.

United States notes.....	\$356,212,473 00	
Fractional currency.....	30,929,984 05	
Gold certificates of deposit.....	18,401,400 00	
		<u>405,543,857 05</u>
Total debt.....		<u>\$2,639,382,572 68</u>
Amount in treasury, coin.....	\$100,690,645 69	
Amount in treasury, currency.....	37,486,175 24	
		<u>138,176,820 93</u>
Amount of debt less cash in treasury.....		<u>\$2,501,205,751 75</u>

HUGH McCULLOCH,  
*Secretary of the Treasury.*

A portion of this debt may be dismissed from our view. The bonds commonly known as the long bonds of 1881, \$282,731,520, were

negotiated on the gold basis, and are neither redeemable nor payable until 1881. The ten-forty bonds, about \$200,000,000, also are neither payable nor redeemable until 1874, and both principal and interest are payable in gold. The smaller items of debt, amounting to \$122,574,675, will be paid from the funds on hand or current receipts, and may be dismissed from our consideration. This leaves the five-twenty bonds, including with them the seven-thirties, in the aggregate amounting to \$1,610,000,000, which, with legal tenders and fractional currency amounting to \$387,142,457, compose the body of the public debt of the United States. A large portion of this debt is now redeemable at the pleasure of the United States, and the whole of it will become so in a comparatively short time. Your committee are of the opinion that now is the time to provide for the redemption of these bonds, as they become redeemable, by a new loan on more favorable terms to the United States, and also to secure to the holder of the United States notes, as soon as practicable, their full value in gold. Such a currency, convertible into gold, with a public debt bearing as low a rate of interest as practicable, with the right again to redeem the principal when more favorable terms can be had, with a moderate provision to diminish the principal annually, supported by a system of taxes levied as far as practicable on imported goods, luxuries, and incomes—these are elements of a financial system which your Committee seek to establish.

Before examining the precise terms of this debt, and the measures proposed by your committee, it is proper to inquire whether this comprises the whole of the public debt. It is sometimes asserted that an unliquidated debt of a vast and uncertain amount exists, not included in the statement of the public debt. Upon this point the most vague and indefinite opinions prevail, not only in this country, but in Europe. Nothing can have a more injurious effect upon the public credit than the supposed existence and concealment of any portion of the debt. No comprehensive financial policy can be adopted that does not embrace every portion of it. Your Committee have therefore sought to ascertain the extent and amount of unadjusted claims likely to be established against the Government. The amount of claims pending which have arisen under existing law, and are likely to be allowed by the accounting officers, is less than \$40,000,000, and this will be scattered through several years, and paid out of funds already or hereafter to be appropriated from current receipts. This is exclusive of bounties under the act of the last Congress, the estimated amount of which yet to be paid is \$45,000,000. These are estimated for as a part of the current expenditure, thus swelling the estimates for the current and next fiscal year far beyond the sums needed for the ordinary current expenses for the year. And so, since the war, large sums, amounting to over \$200,000,000, properly chargeable as a part of the public debt, have been paid from the current receipts as a part of the current expenditure, and this sum should properly be added to the \$267,000,000 of the liquidated debt paid since the 1st of August, 1865. A more detailed statement of the unliquidated debt will be submitted to the Senate at a later period of the session; but for present purposes this debt may be regarded as a part of the current expenditure, and need not be

considered in any plan for funding the public debt, and will depend entirely upon the future action of Congress. This fact will restrain Congress from adopting principles which will swell its amount. Every new bounty bill, every new railroad subsidy, every new and unusual expenditure for internal improvement, every new principle adopted in the settlement of claims growing out of the war, will involve new taxes or new loans. Therefore, as an incident to every such measure, there should be a new tax levied or a new loan made. The vague and indefinite appropriations of money by Congress, growing out of the vast expenditure during the war, can no longer be continued without the utter destruction of the national credit, or such an increase of our taxes as will bring back to these halls new faces and new names. It is idle to disguise the fact that the increase of our extraordinary expenses and the weight of taxes have alarmed the people.

Dismissing the unliquidated debt as depending entirely upon the future prudence of Congress, we come to consider the present condition of the five-twenty loans.

As all of these are of the same legal character, differing only in their dates and time of redeemability, it will only be necessary to examine the laws under which the original bonds were issued. These bonds were issued under the act of Congress passed February 25, 1862, entitled "An act to authorize the issue of United States notes, and for the redemption or funding thereof, and for funding the floating debt of the United States."

The notes to be issued are provided for by the first section, and were limited to the sum of one hundred and fifty millions of dollars, fifty millions of which were to be exchanged for that amount of what were known as demand notes. These new notes were declared to "be receivable in payment of all taxes, internal duties, excises, debts, and demands of every kind due to the United States except duties on imports, and of all claims and demands against the United States of every kind whatsoever, except for interest upon bonds and notes, which shall be paid in coin, and shall be lawful money and a legal tender in payment of all debts, public and private, within the United States, except duties on imports and interest as aforesaid."

This act does not rest the value of these notes solely upon the clauses making them a legal tender, and receivable for all public dues; but it further provides, as an additional and the highest inducement for the people to take them, that the holder of any of them may deposit them with the Treasurer of the United States, and "shall receive in exchange therefor duplicate certificates of deposit, one of which may be transmitted to the Secretary of the Treasury, who shall thereupon issue to the holder an equal amount of bonds of the United States, coupon or registered, as may by said holder be desired, bearing interest at the rate of six per centum per annum, payable semi-annually, and redeemable at the pleasure of the United States after five years, and payable twenty years after the date thereof." Thus these notes were invested with every possible security and value that could be given to them, except only that the holder could not demand their payment in coin. In lieu of such payment, the holder had the right to pay them

for taxes, and for all public or private debts; and, coin not being attainable, he might demand for them at their face the highest form of national security with interest at six per centum, payable in coin. The second section of this act provides "that, to enable the Secretary of the Treasury to fund the Treasury notes and floating debt of the United States, he is hereby authorized to issue on the credit of the United States coupon bonds or registered bonds to an amount not exceeding \$500,000,000, redeemable at the pleasure of the United States after five years, and payable twenty years from date, and bearing interest at the rate of six per cent. per annum, payable semi-annually."<sup>5</sup>

On the 11th of July, 1862, before any of the five-twenty bonds were negotiated, Congress authorized the further issue of \$150,000,000 of the United States notes, with a like provision to convert them into bonds at par.

On the 3d of March, 1863, before any considerable amount of the five-twenty bonds were negotiated, Congress authorized the further issue of \$150,000,000 United States notes, and by the same act provided that the holders of United States notes issued under and by virtue of said acts should present the same for the purpose of exchanging the same for bonds, as therein provided, on or before the 1st day of July, 1863, and that thereafter the right so to exchange the same should cease and determine. The same act provides for the issue of \$400,000,000 of Treasury notes, bearing interest at six per cent., which "for their face, excluding interest," were made "a legal tender to the same extent as the United States notes." This act provides "that the interest on said Treasury notes, and on certificates of indebtedness and deposit, shall be paid in lawful money." Nothing was said in this act as to how the principal was payable, but all have been redeemed in lawful money.

After these acts took effect the five-twenty bonds were negotiated. These several acts form the contract under which they were issued. No subsequent act of Congress can vary that contract without the consent of the holder of the bond; and the contract must be construed according to the intention of the parties at the time, gathered from the words of these laws, and from the previous construction put by the Government upon similar words, and from the authorized declarations of the agents of the Government in negotiating the bonds. Your Committee may go a step further, and say that, as there is no court high enough to sit in judgment upon the acts of the Government to its public creditors, those who act for the Government are bound in honor to observe the strictest faith. In dealing with this question, Congress does not act as the mere judge or jury confined by the written law. We are chancellors to administer equity, or rather we are arbitrators, chosen by the people of the United States, both debtor and creditor, and are under the highest obligation to do what is just and right. There is no appeal from our decision, and no power can reverse our judgment, except that popular opinion which, sooner or later, in a republican government becomes the established law.

In construing this contract no pressure of necessity should induce us to violate any provisions of it, even if its execution is difficult or its



terms hard. Public credit is the most sacred property of a nation, its reliance in war or danger, which, once impaired or tarnished, entails upon the nation an irreparable loss. The Government of the United States has always faithfully observed its promises to the public creditors, and will not now sanction any violation of them; but justice to its people, who must, from their earnings and by taxes, make good these promises, demands that we should not impose burdens upon them not required by a fair construction of public engagements.

The question now arises whether these five-twenty bonds are redeemable at the expiration of five years from their date in any other money than the coin of the United States?

If this question rested solely upon the act of February 25, 1862, and the bonds had been negotiated under that act alone, it would be manifestly a breach of faith to redeem the bonds with the present United States notes. They are very different from the first legal-tender notes, which, from the limited amount authorized, and the privilege to convert them into bonds, could not have had a less market value than the bonds. But it was found that with such restrictions upon the notes the bonds could not be negotiated, and it became necessary to depreciate the notes in order to create a market for the bonds. The limit of notes was trebled and the right to convert them taken away. The amount of United States notes in circulation when the bonds were negotiated was equal to the amount now outstanding; so that the question arises whether by the terms of these several acts the bonds may be redeemed with notes of the precise character paid for the bonds when negotiated by the United States.

The law does not expressly provide that the principal is payable in coin, but does provide that the interest "shall be paid in coin," thus raising the implication that the principal may not be. To meet this implication it is shown that by the established policy of the Government the principal of the public debt has always been paid in coin without any stipulation to that effect. Your Committee have examined the various loan acts of the United States, and find no express stipulation to pay in coin; but coin has always been paid, not only for the interest, but for the principal, both funded and unfunded—both for bonds and Treasury notes. This establishes the presumption that all public debts are payable in coin, unless the law under which they are issued expressly provides that they may be paid in a different mode; and this stipulation must be made before the loan is negotiated.

The act under which the five-twenty bonds were issued also provides for the issue of United States notes, and declares that these notes "shall be lawful money and a legal tender in payment of all debts, PUBLIC or private." These notes were issued to an amount of \$400,000,000 before the bonds were negotiated. It is claimed that this provision negatives the implication drawn from the payment of previous loans in coin, especially as when previous loans were made and paid no other kind of money existed, or could have been contemplated.

It is said, however, that the distinguished Secretary of the Treasury who negotiated the five-twenty loan gave a construction to this act at

the time the loan was offered; that this was announced to the people, and upon the faith of this the loan was taken. Your Committee can find no official declaration made by the Secretary on this subject until after the loan was negotiated. On the 18th of May, 1864, he writes to Mr. Hooper that

It has been the constant usage of the Department to redeem all coupon and registered bonds forming part of the funded or permanent debt of the United States in coin, and this usage has not been deviated from during my administration of its affairs.

The five-twenty sixes, being payable twenty years from date, though redeemable after five years, are considered as belonging to the funded or permanent debt; and so also are the twenty-year sixes, into which the three-year seven-thirty notes are convertible. These bonds, therefore, according to the usage of the Government, are payable in coin.

It is claimed that this language, used long after the bonds were negotiated, can not show the understanding of the parties when the bonds were taken, and that it does not amount to a construction of the law, but it simply affirms an admitted fact that the *usage* of the Government had been to pay all its bonds in coin. The same declaration might have been made as to all issues of Treasury notes, compound-interest notes, or certificates of indebtedness, all of which are now paid in lawful money. Again, it is said that the agent employed by the Secretary did, in his advertisement, affirm that the principal and interest were payable in coin; that this construction was acquiesced in by Congress, and induced thousands to take these bonds who would not otherwise have done so. To this it is replied that such a promise is not in accordance with the plain language of the law, and is not a binding construction of the law. No doubt the agent supposed that before the five years expired specie payments would be resumed. No one supposed that two years after the war was over greenbacks would still be depreciated. The advertisement was a supposition of a state of facts to occur five years afterward, rather than a legal construction of a public law accessible to all men.

And it is contended that, conceding that the agents of the Government construed the law as binding the United States to pay the principal of this debt in coin, yet this construction was not so generally acquiesced in and adopted by both parties to the contract as to create a moral obligation which the United States is bound to execute to preserve its faith. Is it true that this construction was so generally admitted as to make it a part of the contract? Congress uniformly refused to declare this construction as to the five-twenty bonds, but did do so as to the ten-forty bonds. And it is a further and very significant fact that every State in the Union, with, perhaps, the exception of Massachusetts, put a different construction on this act. Every State had a public debt, which stood in precisely the same position as the national debt. Their bonds had uniformly been paid, principal and interest, in coin; and yet under the law they held that their public faith was complied with when they paid either principal or interest in legal-tender notes, and this construction was acquiesced in by their creditors. So corporations and private citizens who had contracted debts which by law and custom had been previously paid in coin con-

sidered themselves released, and were released, by payment in legal tenders. Now, by a well-established principle of the law of contracts, when it is sought to vary the meaning of the words of a contract by a cotemporaneous construction, it must be shown that both parties acquiesced in it, and understood and acted upon it in precisely the same sense, otherwise the words of the contract must govern. When a general rule is laid down, and an exception is made, it implies that there are no other exceptions.

Duties on imported goods and interest on the public debt are excepted from the legal-tender clause. This implies that the principal of the debt is not excepted. The construction drawn from the payment of previous loans in gold is answered by the fact that the act under which this loan was issued expressly declares that a note shall be lawful money as well as gold, and shall be receivable in payment of public debts.

Your Committee have deemed it their duty thus to present the argument in favor of redeeming the bonds in legal-tender notes, for it can not be concealed that this construction has been adopted by many who disclaim all purpose of evading the public engagements. Still the admitted facts remain that these bonds were generally taken upon the supposition that they would be paid in coin; that this was explicitly declared by the authorized agents of the Government in negotiating the loan; that such declaration must have been known by Congress and was not negatived; that it was sanctioned by three successive Secretaries of the Treasury; that upon the faith of it the bonds have been continually higher in market value than the notes; and that a public sentiment both in this country and in Europe would regard it as a breach of public faith. Public credit is so sensitive a quality that time can not restore it when impaired. It is better far to forego a doubtful privilege if, in the judgment of impartial men, we have no right to exercise it. But the doubt should be promptly removed. The discussion of the question manifestly impairs the public credit. Until it is settled no new loan can be negotiated. The public mind becomes accustomed to the idea of repudiation, and the wildest schemes of paper money worthy of the days of John Law poison the fountains of public and private credit.

It has been proposed that Congress, by joint resolution, declare that the five-twenty bonds are redeemable only in gold. This, instead of settling the question, will only create divisions and parties, and the resolution, when passed, will be subject to agitation and repeal.

These considerations induce your Committee, without deciding the question, to propose a substitution of new bonds, clear and explicit in their terms, for the five-twenty bonds as they become redeemable. This exchange must depend upon the voluntary consent of the holder, but it is believed that the great body of them will readily make the exchange, and that the Government will be able to sell the new bonds at a rate that will redeem or purchase an equal amount of the five-twenty bonds. It is the manifest interest of the bond-holder, as well as of the tax-payer, to have his rights clearly defined and settled by Congress after full consideration, so that they will not be affected by

any uncertainty as to the manner of payment. If this exchange is refused by the bond-holder, it will be time enough to determine whether by the condition of his bond he may not be paid in lawful money.

Will this proposition operate harshly upon the public creditor? He holds a security now redeemable. No one can affirm that his right to receive gold is clear and unquestionable. The doubt now does impair the value of his security, and may lead to measures that will seriously affect it. The security substituted is of equal intrinsic value to that he surrenders; it is explicit in its terms, and secures a reasonable rate of interest, free from all taxes. He has already received the interest in coin, according to the stipulation of the bond, thus securing a higher rate of interest on the money invested than is allowed by the policy of our laws to private creditors. Still, if your Committee, after a careful examination of the law, were convinced that it clearly required the payment of coin, they would advise that it be paid in coin. The meaning of the contract, and not its profit or loss, is the true rule of construction. To give more than is stipulated to the public creditor is to do injustice to the tax-payer; to give less is to violate the public faith; and we, as the representatives of both bond-holder and tax-payer, are not at liberty to do either.

Your Committee have heretofore considered this question as involving only the application of the present United States notes, limited as they are to \$400,000,000, to the redemption of the bonds.

The question now arises, Can the United States in good faith avail itself of the depreciation of its notes to issue a greater amount of them than was provided for when the five-twenty bonds were sold, and with them to pay the bonds? What is a United States note? It is a promise by the United States to pay a specified sum on demand. No legal-tender clause applies to this note. It is conceded that the money of the world, gold or silver coin, is the only money that can redeem this note.

During the war this was impracticable, and therefore the United States gave to the note every valuable quality possible. It was made lawful money and a legal tender for other debts. But the obligation to pay this note in coin at the earliest moment practicable is a continuous obligation. Our failure to do it is the standing reproach of our financial system. It is the cause of all the discussions that have arisen in regard to our bonds. Until our promise is made good to pay the United States note in coin or its equivalent, on demand, we must suffer the reproach of partial repudiation. This does not consist merely in proposing to redeem our bonds in lawful money, but does consist in allowing our "lawful money," or promises to pay on demand, to continue to be less valuable than gold or silver coin.

Payment of the bonds in existing notes would not materially affect the market value of the bonds, for that value, increased as it would be by the provisions of this bill, would make both notes and bonds approach nearer the standard of gold. The present issue of notes is held by the people, and can not be drawn into the Treasury except by taxation. We have already largely diminished internal taxes, and can not

hope to receive over \$30,000,000 in currency in excess of our expenditures. It is manifest that such a surplus revenue is insufficient to redeem our bonds unless aided by a further issue of notes or a new loan.

To pay off the original five-twenty loan, the only one now redeemable, will require \$500,000,000 more of paper money, to be still further increased as other loans become redeemable. The alarming proposition to do this has been made on the ground as a justification that the bondholders bought these bonds with United States notes when gold was high, and are compensated by repayment in legal tenders. It is true that some of the later loans were paid for when legal tenders were largely depreciated by their excessive issue and the uncertain result of the war, but the first loan of \$500,000,000 now to be redeemed was sold at par when gold averaged about thirty-five per cent. premium. By reference to the market price of gold in New York during the summer and fall of 1863, it appears that this loan was sold at an average price of seventy-four cents in gold. The same bond can now be bought in the market in New York at seventy-six cents in gold. If you pay these bonds in legal tenders, limited in amount as they are now to less than \$400,000,000, and with the privileges conferred by this bill, the holder of the bond will realize seventy-six cents in gold, and will have the advantage of a rapid approximation of his notes or bonds to the gold standard. If we increase our paper money to an amount sufficient even to pay the first loan, he will not receive over thirty in gold, if, indeed, this act of injustice and repudiation does not, by destroying the public credit, utterly destroy that in which you propose to pay a debt contracted when the enemies of the country were confident of its overthrow, when foreign nations and a large portion of our own people anticipated the permanent division of the Union. This course once entered upon, the first debt thus paid, the rest will follow; confidence thus destroyed, all values affected, the distress of the people will compel them to resort to barter and gold, and to the utter repudiation of the mass of paper money. So it was with the continental money; so it was with the French assignats. Our forefathers had the excuse of a revolutionary struggle, on the result of which everything was staked; while the French revolution was a volcano whose excesses are acknowledged by all as the reproach of mankind. If we enter upon a similar career, we have no excuse. We have accomplished all we fought for, and more than we hoped. No one doubts now our ability to meet the interest of our debt, and rapidly to pay the principal. Our creditors are chiefly our own citizens, or those who trusted and confided in us and in our cause. It is not our enemies we owe abroad, but our friends. Our debt is not only the capital of the rich, but it is the savings of the poor, the widow, and the orphan.

Our "greenback," which it is proposed to depreciate, is not only the standard of value for the capitalist, but fixes the pension of the wounded soldier, the value of the workman's labor and of the artisan's skill. The capitalist may raise his rent or his price as we depreciate the standard, but the laborer can not increase his wages. The poor feel more severely all inflations of the currency, while the rich often urge

them in order to add to the prices of their commodities and to evade the payment of taxes. Now, this policy is desired to float upon the people large stocks of goods at high prices. It is to shift the loss from those who hold the goods to those who buy and consume them. Your Committee know that a demand often comes to us to make money easy by increasing the amount. We need not refer to writers on political economy to show that an increase of paper circulation does not add to the wealth of a community; it only adds to the prices of commodities at the expense of the consumer. The wages of labor do not rise with the price of food and of rents. Paper money convertible into gold promotes exchanges and adds to production. Paper money not convertible is a device to lessen wages, to increase capital, to add to the value of accumulated wealth. When it perishes by failure or repudiation, it is mainly in the hands of the poor, received as wages, or of the middle classes engaged in active business, while the capitalists by investing in property escape all loss. War and great public necessity are held to justify the coining of public credit into money, but the device should cease as rapidly as possible after the necessity passes away.

Your Committee are therefore of opinion that no legal-tender notes beyond the amount now authorized by law should be issued under any pressure of financial or political necessity until they are convertible into gold and silver. Our duty is to elevate the "greenback," the standard of national credit, to the standard of gold, the money of the world. Until then we are not on a substantial foundation. Let us make the dollar of our promise in the pocket of a laboring man equal to the dollar of our mint. The rapidity of the process is a question of public policy. It may be by gradually diminishing the volume of currency, or by leaving it at its present amount until increased business or improved credit brings the currency up to the specie standard. The discretion left with the Secretary to diminish it may be withdrawn, limited, or extended as public policy dictates; but no necessity, no plausible pretext, to diminish the burdens of taxation can justify us in increasing the volume of legal tenders. Now that the war is over, we should look squarely and hopefully to the time when we shall pay gold, not only to the holder of our bonds, but to all persons in public or private business.

Not only is this obvious public policy, but it is the express agreement with the public creditors. On the 30th of June, 1864, at the darkest period of the war, when it was feared that the amount of legal tenders would destroy our ability to borrow money, we provided, in the second section of the loan act of that date, "nor shall the total amount of United States notes issued, or to be issued, ever exceed \$400,000,000, and such additional sum, not exceeding \$50,000,000, as may be temporarily required for the redemption of temporary loan." This stipulation is a part of the terms upon which the seven-thirty loan was issued, and is as binding upon the United States as any other part of the contract. It received the unanimous vote of Congress, so far as the journals show, and was plainly demanded by public policy at the time, and was a pledge of the public faith. Shall this be violated under pretense of diminishing the public burdens? Every increase of

legal tenders impairs the value of our public securities. If we may violate this, we may violate any other part of the contract. Your Committee therefore dismiss as inconsistent with the public faith any scheme of paying the public debt in legal tenders by increasing their volume beyond the sum of \$400,000,000. The surplus revenue can readily be applied to the payment of the five-twenties, as is now daily done by the purchase of our securities in the open market. Your Committee are satisfied that this fund, with the aid of such a loan as is provided in the bill herewith submitted, will redeem the five-twenty loans as they become redeemable, with a large saving to the public treasury, and in strict accordance with the public engagements.

It now remains to consider the terms of the proposed loan, and the proper means to restore the notes of the United States to a specie value. In the new loan your Committee deem it essential to adjust the question of taxation, State and national, of the public securities. The exemption of these securities from State and local taxes has been the subject of wide-spread complaint and irritation. It is difficult to reconcile the duty of the United States to preserve unimpaired its undoubted power to borrow money on the public credit with the reasonable demand that all property should bear its just proportion of the burdens of taxation. Your Committee can only claim that they have given the subject the most careful consideration, and submit a plan as free from objection as any that has been proposed.

The exemption of public securities is not the result of any act of Congress. It grows out of the provision of the Constitution of the United States which secures to Congress the power to borrow money, and out of the supreme nature of that power, which cannot be affected or limited by the act of any State or local government. In the absence of any legislation, the Supreme Court have repeatedly held that no State can levy upon money invested in any public security any tax or assessment whatever, on the ground that such a tax is inconsistent with the power of Congress to borrow money. If a State may tax a security of the United States, it may entirely defeat a power essential to the existence of the Government. These decisions have been so often repeated, and are founded upon reasons so conclusive and obvious, that they may be considered as settled constitutional law. It is true, Congress may, in negotiating a loan, reserve to the State the express power to levy taxes on public securities held within the State. This reservation would become a part of the contract, and would be a valid stipulation.

The effect of State taxation would be that, in many of the States where the taxes are high, no public securities would be held. This would be especially so in large cities, now the best market for our securities, and where local taxes often amount to three per cent. With such a provision, no loan could be negotiated except at such rates of interest as would add largely to the public burdens. It has been proposed to limit State taxes to one per cent. ; but this is a discrimination as liable to objection as an entire exemption, and yet would add to the public burdens one per cent. of the entire loan. It would not meet the local demand for taxes for local purposes. Your Committee are

therefore of opinion that it would not be wise in a loan law to waive the constitutional right of exemption of Government securities from State taxes.

But that all property protected by State or local laws should bear its share of taxation is so plainly the demand of justice and public policy, that your Committee deem it wise to reserve, in lieu of local taxes, a specific rate on the entire debt hereafter negotiated, and to distribute this among the States according to their population. The amount thus reserved will, in the aggregate, equal the probable amount that would be collected by the States from the capital loaned to the Government. From the nature of public securities being easy of concealment, readily transferred or deposited out of the State, it is probable that but a small portion would be reached by taxation; while the mode suggested would secure each State a fixed sum, collected without expense and without surrendering the power of the National Government over its loans, or of impeding the ready transfer of the public securities.

If it is objected that the distribution proposed is not just to the States whose citizens hold a larger proportion of the bonds, it may be replied that no better rule of distribution can be proposed, and the advantage, if any, will accrue to the younger and poorer States, where any taxation is more severely felt.

This adjustment will relieve the bond-holder from the reproach of enjoying State law and local privileges without contributing to the public expenses, and will increase the demand for public securities, and thus enable the Government to sell them at more favorable rates. The obvious payment by the bond-holder of one sixth of his income for taxes, and the great relief the distribution of so large a sum to the States will give them, in the payment of State debts and the means of lessening taxes, will satisfy the well-founded complaint now made by the owners of real and personal property.

The same adjustment is proposed in regard to national taxes. It has often been contended that a nation had no right to levy taxes upon money loaned to it by its own or foreign citizens. This view was maintained with great ability by Alexander Hamilton in his celebrated report on public credit, made January 16, 1795; but the practice of several European nations, as well as of the United States during the war, has established a different rule. The income tax of Great Britain and of the United States extends to incomes derived from Government securities; but in practice this tax does not prove a productive source of revenue. So many incomes fall below \$1,000, the minimum of taxable incomes, so many bonds are held abroad or by corporations who are taxed in a different way, and so much income is concealed, that the internal revenue reports show that but a small sum is collected as the revenue from incomes from public securities.

It has been suggested that a special tax be levied by Congress on Government securities. Such a tax would be a palpable violation of public faith, unless extended to all other securities, as State, corporation, or personal securities. To select any one class of securities from other securities producing a fixed income, and to levy upon it a special burden, would not only be an unjust taxation, condemned by all writers



on political economy, not practiced by any other nation, but, as your Committee believe, would be inconsistent with the Constitution of the United States and likely to be defeated by the courts. And the injustice of such a tax is more marked when the security selected is a public security, to the payment of which the faith of the nation is pledged, and when the admitted purpose of such a tax is to neutralize a constitutional and legal exemption.

As an adjustment of the income tax now levied, your Committee propose a like reservation as for the States, the proceeds, with such other funds as Congress may provide, to be directly applied to the purchase or payment of the principal of the debt.

The other provisions in regard to the loan are similar to those in existing acts. Your Committee deem it important to retain the principle of redeemableness after a short period, thus enabling the Government to avail itself of a favorable state of the money market by still further reducing the interest. This loan will secure to the bond-holder a net five per cent. annuity, payable—principal and interest—in coin, and redeemable after ten years. Such a loan, upon the basis of the present circulation, it is believed, can promptly be negotiated.

Your Committee deem it proper to provide for a foreign loan, to be negotiated at the discretion of the Secretary of the Treasury. It is computed that the amount of our securities held abroad exceeds three hundred millions of dollars. These are mainly coupon bonds of the first issue of the five-twenty loan. The interest is payable in New York, by reason of which the holders are at considerable expense in collecting their coupons. The nature of these bonds is such that they are liable to be thrown suddenly upon our market by war, panic, or other causes. For this reason our markets are unduly affected by fluctuations, caused by events in which we have no part. It is believed a loan can now be made, sufficient to redeem all the five-twenty bonds held in Europe, at a rate of interest not exceeding five per cent., and registered in London or Frankfort, so that it can not be thrown upon our market at periods of alarm and stringency. The exchange is fixed at a rate which will more than cover all expense of transferring funds, and in harmony with the great system now proposed by the continental nations, by which the gold coin of equal value of all Christian nations will be convertible and exchangeable without loss or discount.

Your Committee regard the provisions of the bill designed to give increased value to the United States note as of the greatest importance. When the United States failed to meet its engagements in coin, it substituted its notes and gave to them every value possible. When the legal-tender act of February 25, 1862, took effect, gold was at a premium of three per cent. That act not only made the United States notes legal tender for public and private debts, but made them convertible, at the pleasure of the holder, into bonds of the United States. This provision was regarded as of the highest importance, without which your Committee are satisfied the legal-tender clause could not at that time have passed Congress. It was founded upon the manifest principle that, when we could only pay in our notes and compelled all our citizens to receive them, we ought to receive them for our bonds.

The note is a contract no less sacred than the bond. By any equitable rule it should bear interest. All former notes issued by the United States bore interest—those during the war of 1812 at the rate of  $5\frac{1}{2}$  per cent., those during the Mexican war not exceeding six per cent. So the exchequer bills of England forming a national currency bear interest. This incident to a United States note past due was only waived by making them convertible into an interest-bearing security. This right was plainly printed on the face of the note; but it was found to embarrass the Treasury in negotiating its loan when under the pressure of war, and therefore, by the act of March 3, 1861, it was provided "that the holders of United States notes, issued under and by virtue of said act, shall present the same for the purpose of exchanging the same for bonds, as therein provided, on or before the first day of July, 1863, and thereafter the right so to exchange the same shall cease and determine." This device to suspend the right of convertibility attached to the note was suggested by our late distinguished colleague, Judge Collamer, and was only justified by the necessity then resting upon us of forcing upon the market all forms of public securities. The necessity no longer exists, and your Committee think the right ought to be restored. If we cannot pay our note in coin, let us pay it in the next best commodity, a bond of the United States. The value of the note now rests solely upon the compulsory value given it by the legal-tender clause; then it will be anchored on the solid basis of an annuity payable in coin. This measure alone will give the "greenback" the market value of a bond, while heretofore, though made the legal standard of value, it has been and now is the least valuable form of Government security.

Another highly important effect of this provision is to take from the Secretary of the Treasury his power to control the currency.

Under existing law he is authorized, at his discretion, to contract the currency at the rate of four millions of dollars per month, and there is no provision to adapt the volume of currency to the ever-changing demands of trade and commerce. This power, though no doubt exercised by the Secretary with the sole view of promoting the public interests, is one not properly invested in any officer constantly engaged in official duties, and it is the cause of widespread complaint. No one engaged in business can base his calculations upon a currency depending not on supply and demand, but upon the discretion of a single officer. If currency is scarce, the Secretary is blamed; if it is redundant, he is charged with inflating prices. The Government should have no power over the currency except to stamp it with the highest credit, and by general rules, known to all men, to limit its amount. All fluctuations of the currency, affecting, as they do, the prices of all commodities, should be left solely to the laws of demand and supply. Upon these business men base their transactions, and should have the benefit of their sagacity without being affected by the arbitrary discretion of the Government.

The plan proposed establishes the maximum of currency at the amount fixed by law, and it may be diminished by payment for taxes and its conversion into bonds. These processes would, it is believed,

rapidly restore our currency to the standard of gold without the severe disturbance and uncertainty caused by the present system. When the restored credit of the Government advances the market value of our bonds to the gold standard, specie payments may be resumed and maintained. This plan is in accordance with the uniform practice of our Government prior to July 1, 1863, and of Great Britain during the long period of the suspension of specie payments, from 1797 to 1823. The holder of paper money was allowed at any time to convert it into a bond or annuity. The note forced upon the people during a suspension of specie payments was never allowed to be of less value than other securities held by public creditors.

It may be alleged that this plan would contract the currency too rapidly; that, when trade was inactive and money plenty, it would be converted into bonds; and when active business operations were resumed, as by the movement of crops or similar fluctuations of trade, the currency would be insufficient and money too scarce, causing great stringency and depression of prices. Such would undoubtedly be the effect, and it is mainly to furnish this fluctuating currency that banks of issue are established by most commercial nations. The usefulness of the national banks is now impaired by the suspension of specie payments. Their currency is now not a fluctuating one, but a permanent one. Their issues are not returned when trade is idle, and therefore they are unable to relieve a sudden stringency in the money market.

It is to avoid this difficulty that during the suspension of specie payments your Committee propose that any holder of the five-twenty bonds, or the consolidated bonds, may, under suitable regulations, and within the limit of \$400,000,000, present them at the Treasury and receive in exchange United States notes.

This would make a currency convertible into bonds, and within proper limits a debt convertible into currency, and its fluctuations would depend entirely upon the wants of trade and commerce, and not in any respect upon the discretion of the Secretary. The money paid into the Treasury for taxes or bonds would be a bank, or reserve, sufficient for the negotiation of the new loan, for the redemption of the five-twenty bonds, and for exchange for bonds.

It may be objected that this would continue indefinitely the suspension of specie payments. Your Committee, being sincerely desirous of avoiding this result, have given this objection the most careful consideration, and are of the opinion that experience, the only test of such a proposition, will show a contrary effect.

The holder of an annuity yielding five per cent. in gold, free from all taxes, will not surrender it for a note only valuable as a currency, unless the demand for currency is urgent and stringent, and then it ought to be relieved. It will happen that in one part of the country bonds will be exchanged for notes, and in another part notes for bonds; at one season money, being idle, will be converted into bonds, to be returnable again for money when it is needed. This process will give increased value both to the notes and bonds, and enable the Government eventually to restore both to the standard of gold, when the vast productions of our mines and the accumulated gold now hoarded by

our people will take its place as the best and the only true currency. Then the banks, restrained by the necessity of redeeming their notes in coin, will perform their appropriate function of furnishing a valuable currency convertible into coin.

If in practice it is found that the conversion of bonds into money needs further limitation, either by reducing the maximum limit or by charging a percentage, it may be provided for by Congress. The conversion is not a right secured to the bond-holder as a part of his contract, but is simply a privilege designed to regulate the currency, and may be modified or withdrawn according to the judgment of Congress.

Your Committee are of the opinion that the time is not distant when it will become the duty of Congress to repeal so much of existing laws as makes the United States notes a legal tender in payment of debts, either public or private. This provision was adopted with extreme reluctance and under the pressure of overwhelming necessity. The debates in Congress at the time this measure was adopted show conclusively that it was universally regarded as a temporary expedient. It is inconsistent with sound financial principles, and was never resorted to since the commencement of the present Government until February 25, 1862. The evils produced by continental money were so fresh in the minds of the founders of the Government that during the financial difficulties that followed the adoption of the Constitution no one proposed such an expedient. During the war of 1812, when financial embarrassments had impaired the revenue and destroyed the public credit, a limited-tender Treasury note was proposed, but was promptly rejected. Mr. Dallas, in a communication to the Committee of Ways and Means, declared "that the extremity of that day can not be anticipated when any honest and enlightened statesman will again venture upon the desperate expedient of a tender law." We were driven to that extremity, but should hasten to abandon so desperate a remedy at the earliest day practicable. The moment at which we can restore our notes to a specie standard should be signaled by a return to correct principles, and our United States notes should stand like all other paper money, receivable only at the pleasure of the creditor.

Your Committee, having thus stated their views upon the different propositions of this bill, beg leave to add that they do not consider this measure as embracing all the financial measures demanded by the public interest; but they present it in the hope that it may not be embarrassed by other financial problems now exciting general discussion.

Various propositions relating to the national banking system are under consideration by your Committee, and will be carefully examined. Whatever view may be taken by Congress as to the continued existence of this system, it is manifest, from the report of the Comptroller of the Currency, that a more equitable distribution of the banks among the States, and new provisions for reports and for the redemption of their notes, must be made. It is equally manifest that further provision must be made for the collection of certain internal taxes, and the remission of others. It is only by relieving our industry, and applying our taxes as far as practicable to articles the consumption of which may

be dispensed with, that we can hope to establish our system on a satisfactory basis. We may justly boast of the manner our constituents have heretofore borne the vast aggregate of accumulated taxes caused by the war. They have cheerfully paid a greater amount in the aggregate, or per capita, than any other nation before; and, if necessary to preserve the public engagement, they would continue to do so, but the necessity no longer exists. It is happily our duty to select from among the great number of articles now taxed such as may now be relieved, and to simplify the mode of collecting the tax on the residue. This your Committee, in connection with that of the House of Representatives, are prepared to do; but, as preliminary to all these important subjects, it is necessary to relieve the public mind from anxiety as to the action of Congress on the subjects embraced in this bill.

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## THE FUNDING BILL.

*IN THE SENATE, FEBRUARY 27, 1868.*

The Senate having under consideration the bill for funding the national debt and for the conversion of the notes of the United States, Mr. Sherman said:

Mr. PRESIDENT: The attention of the Senate has been so long occupied with grave political questions deeply exciting the public mind, that I have no doubt it will appear a dull change in our debate to turn to questions purely of a financial and economic character; yet, as our constituents are laboring under the burdens of taxation and the acknowledged evils of a depreciated currency, and demand relief from us, it becomes the imperative duty of Congress to give attention to this subject. The House of Representatives is now engaged in the performance of its constitutional duty of diminishing taxes; and your Committee on Finance deem it their duty to lessen, if possible, the burdens of the public debt, and to give increased value to the United States notes, now made the compulsory basis of our circulation. We have, therefore, reported this bill after careful consideration. In advocating it, I do not appeal to any political bias; I do not appeal to any sectional interest; nor have I any pride of opinion; and I shall only appeal to those considerations which actuate us all alike, the desire to relieve our people from all the burdens of taxation consistent with the public faith.

The Committee on Finance acknowledge that it is the first and highest duty of a Government to maintain inviolate the public credit. A strict compliance with public engagements is the first duty of every legislative body. Public credit is the highest property of a nation, its sure reliance in time of danger and war; it is a more valuable property than any other, and is not to be tarnished or soiled by any consideration whatever. But, subordinate to this great principle, it is our duty as legislators to relieve our constituents from every exaction not demanded by the national safety or the public interests. We have a right to take

from our people their money to the extent necessary to carry on the ordinary expenses of the Government and maintain the public faith, but not one cent further. The great mass of mankind have nothing to protect except the reward of their daily labor. This is their only capital. In every community—and ours is more favored than most in this particular—the majority of men depend only upon their daily labor, and enjoy nothing of the blessings of civil government except in the protection of the result of that labor. It is, therefore, our duty not to take one cent from them unless it is demanded by the public exigencies.

It is with this view, and actuated by this principle, that the Committee on Finance have endeavored to make this bill a bill of relief, reducing, if possible, consistently with the public faith, the interest of the public debt, and giving increased value to United States notes. We have endeavored in this bill to accomplish three results: first, to reduce the rate of interest with the voluntary consent of the holders of our securities; second, to make a distinct provision for the payment of the public debt; and third, to give increased value to United States notes, and to provide for a gradual resumption of specie payments. All these are objects admitted to be of the highest importance. The only question is, whether the measure proposed tends to accomplish them.

The body of our public debt consists mainly of securities commonly known as the five-twenty bonds. Nearly all of the debt of the United States is either reduced already to that form of security, or is reducible within a very short period of time. I have prepared a statement from the official documents showing the amount and time of maturity of the five-twenty bonds. There are of the first issue, which became redeemable on the 30th of April, 1867, now outstanding \$514,780,500. Of the second issue there will be redeemable on the 31st of October of next year \$129,443,800; there will be redeemable on the 30th of June, 1870, \$301,880,250, and on the 31st of October, 1870, \$181,427,250. There are of the seven-thirties, which have either been funded into five-twenties or are in process of being funded, something over \$480,000,000, making an aggregate of what might now be regarded as five-twenty bonds of \$1,613,442,650, of which a little over \$200,000,000 is yet in the form of seven-thirties, and will be funded before the 1st day of July next. In addition to this, there are of debts that are now matured, or which will mature this summer, an aggregate of \$106,042,949, consisting chiefly of compound-interest notes and three per cent. certificates, making with the bonds mentioned \$1,719,485,599, all of which are either redeemable now or will become so within five years from this time; the great body of them, however, are redeemable within the present and the next year.

The first question that arises, Mr. President, is whether it is wise now to provide for the redemption of these bonds. We are compelled to consider this question. It is already made the subject of political disputes. While it is being considered by us in Congress it is being considered by the people, and there is a daily discussion all over this broad country as to how and when the five-twenties shall be redeemed. Especially in the West this has been made the subject of political contention. I might show you by the resolutions of political parties, both

Republican and Democratic, that we cannot avoid or evade this issue. We must meet it. I have here the resolutions of both political parties in the State of Indiana, both declaring that these bonds ought to be paid in greenbacks, and differing only as to the limit of greenbacks. I have also resolutions adopted in different parts of the country. The tendency of the Democratic party is to drift into a political declaration that these bonds shall be paid in greenbacks; and great masses of patriotic men all over the country of the political faith to which the majority of the Senate belong have come to the same conclusion. We are, therefore, compelled to consider the question. It will be made the basis of every election next fall in nearly all the northwestern States. No man can be elected to Congress unless he commits himself for or against this proposition.

Sir, it was the first topic that was introduced into this session of Congress in both Houses. My honorable friend from Vermont [Mr. Edmunds], in a very elaborate speech, and altogether the best one yet presented on his side of the case, introduced it on the first or second day of the session. The same subject was presented in the House of Representatives by a distinguished Representative from the same portion of the country, taking the opposite view. It is now more discussed than any other question except the question of reconstruction. It must be met by us here, and in anticipation of the movements of political parties. If other Senators have not, I certainly have been overwhelmed with propositions of all kinds from every part of the country, proposing various schemes of finance affecting the very question proposed to be dealt with by this bill.

My own conviction is that the question ought to have been settled two years ago, at which time I addressed the Senate on the subject. Mr. President, I believe that most reflecting men will now admit that if then we had adopted some provision, comprehensive in its character, to fund the public debt and to provide for the redemption of the five-twenty bonds when they became redeemable, it would have been wiser. At that time no portion of them was redeemable. The first ones became redeemable about one year ago; but the country was then filled with the idea of Mr. McCulloch, that the only safety was in contraction, to get back to specie payments before anything was done with the public debt; and the policy was adopted of authorizing a contraction of the currency without any regard to funding whatever, by the act of April 12, 1866, passed against my earnest protest, in which we gave to the Secretary of the Treasury almost unlimited power over the currency and over the public debt. We authorized him to convert every form of indebtedness into any form of indebtedness provided for by previous acts. There was no limitation upon his powers except that he could reduce the greenback currency only at the rate of \$4,000,000 per month. I have no doubt that he exercised his power conscientiously; but what has been the result? Within two years he contracted the legal-tender currency \$160,000,000, and the plain United States notes over \$40,000,000. He also converted all the floating-currency debt into gold-interest bonds. At the time this law was passed, April 12, 1866, the total amount of five-twenty bonds was \$666,000,000, and the great mass of the debt was in what are called currency obligations,

the principal of which, undoubtedly, could have been paid in currency. But, conscientiously believing, as he did, that the best way to the resumption of specie payments was by a rapid and steady contraction of the currency, he entered upon the policy I have stated.

In April, 1866, the price of gold was 125. It had steadily declined from the close of the war until it reached its lowest point, I believe, in April, 1866, the very time of the passage of this law. From that time to this gold has advanced, varying between 130 and 140; and are we any nearer specie payments now than we were then? Not at all. We have converted our debt into a more oppressive form of obligation. The interest of the great mass of it is now payable in gold at the high rate of six per cent., and the bonds are less valuable in gold than then. I still think that, if we had looked rather to the funding of the debt with the currency then afloat, we could have passed the whole of it into five per cent. ten-forty bonds at par, instead of into a six per cent. loan. The state of the money market since then justifies this opinion. If the bill I refer to had passed two years ago, a great part of our debt would have gone into the five per cent. loan provided for by it, and the country would have been saved many millions of gold per annum, and would have escaped the dangerous question now presented to us.

Let us now consider the legal meaning of the contract between the United States and the holders of the five-twenty bonds.

Mr. President, this form of debt contains one feature that was considered its chief virtue, and that is the right of redemption after five years. We all remember the time when this first five-twenty loan was introduced. Up to that moment the bonds that had been sold were long bonds, payable twenty years after their date, now called the bonds of '81; but in February, 1862, Congress for the first time, upon the recommendation of the then Secretary of the Treasury, introduced the idea of retaining the right to redeem the bonds after five years. This right was considered the most favorable feature of that loan. The Secretary of the Treasury, in his report to Congress, said it was important to retain the right to redeem the principal of the debt with a view at any time to take advantage of the money market and reduce the rate of interest; and he proposed, and upon his recommendation Congress concurred in the idea, that in future loans a short time should be fixed after which the debt might be redeemed, while a longer time was fixed within which the debt must be paid. This was a valuable privilege reserved by the United States for a valuable purpose. We were then engaged in war, and by the experience of nations it was known that during war we must submit to hard and exacting terms in order to borrow money; but the right to get better terms at the end of five years was reserved.

Now, the question arises, how may these five-twenty bonds be redeemed? Four different modes have been suggested, in regard to each of which I intend to make a few observations; these plans are:

*First.* That these bonds may be paid, the principal in gold, at any time after five years.

*Second.* That these bonds may be paid by a new issue of legal tenders similar in character to the kind issued when they were sold.



*Third.* That either by selling a new bond or by levying taxes we may draw into the Treasury existing United States notes, and with those pay off or redeem the five-twenties.

*Fourth.* The plan suggested by the Committee of giving to the holder of the bond at his option the right to take another bond bearing a less rate of interest.

Mr. President, let me briefly present the view taken of these different propositions. Is the United States bound in law or equity to postpone the redemption of the five-twenties until they rise to par in gold? My friend from Vermont discussed this question with great ability, and he affirmed that we were so bound; that we had no right to redeem these bonds until the bonds rose to par in gold. That is his position, and he maintained it with great force.

Now, I confess that this would undoubtedly be the rule as to the bonds issued before the act of February 25, 1862; and the Secretary of the Treasury has always properly decided that bonds issued before the legal-tender act took effect must be so paid in gold; and why? The bonds issued in 1861 were issued when no one contemplated any other mode of payment, when there was no money in which to pay except gold and silver coin. This question was first presented to Secretary Chase and decided by him when a portion of the Texas loan matured in the fall of 1862. A small portion of that debt matured, and he paid it in gold. His decision, to which I shall have occasion to refer in discussing another point of this subject, was not based at all upon the question of legal tender; it did not raise the question; but it was decided upon the ground that as gold was paid for those bonds, gold must be returned to the bond-holder.

A Government may, as a matter of paramount authority, compel its citizens as between each other to receive and pay out its notes as money on preëxisting contracts; but it has no right to debase its money to make the payment of its own debts easier. We may, if there is no stipulation to the contrary, pay in that kind of coin or money which existed when the debt was created; but, after we have created a debt and have received gold or good money, we cannot then debase the coin and pay the debt in inferior coin. Although we may change contracts between individuals, we have no right to do it as between ourselves and public creditors. A nation in dealing with a public creditor stands on a different footing from what it does in regard to transactions between individuals of that nation. The only rule is the contract, and we can not change that without being guilty of repudiation. I therefore assume that all the old bonds issued before the legal-tender act are payable in coin.

But the question is, whether the bonds issued since the legal-tender act took effect may be paid in legal tenders. Upon this question, I may as well state now, the Committee on Finance do not pass any opinion; and in the observations I make on this point I speak for myself, not for them. They deem the occasion a proper one to offer an exchange to the public creditor, leaving for the future to settle the result of a refusal. The act which provided for the legal tenders also provided for the five-twenty bonds. However, the notes were issued

before the bonds; the notes were all outstanding before a single bond was issued. Now, the legal-tender clause provides that:

Such notes herein authorized shall be receivable in payment of all taxes, internal duties, excises, debts, and demands of every kind due to the United States, except duties on imports, and of all claims and demands against the United States of every kind whatsoever, except for interest upon bonds and notes, which shall be paid in coin, and shall also be lawful money and a legal tender in payment of all debts, public and private, within the United States, except duties on imports and interest as aforesaid.

Does not this act, in so many words, declare that while coin shall be paid for the interest of the public debt, yet the notes provided by this act shall be a lawful tender in payment of all public debts?

It is admitted that if the matter stood on the legal-tender clause there would be no doubt, there could be no resisting the conclusion, that the legal contract between the Government and bond-holder was that the interest should be paid in coin, and the principal should be paid in the kind of legal tenders specified by this act. The act further provides that the amount of legal tenders shall be limited to \$150,000,000. It also provides that the holder of these legal tenders may at any time convert them into five-twenty bonds; and the second section provides for the issue of those bonds. If the bonds had been issued and negotiated solely under the act of February 25, 1862, it would have been irresistible logic that it was not contemplated that the \$500,000,000 authorized by the act should be paid with \$150,000,000 legal tenders, themselves convertible into bonds. But no bonds were issued under that act. Every one of the restrictions as to the amount of legal tenders was repealed before the bonds were negotiated. In July following, before a single bond was sold, the limitation as to the amount of legal tenders was increased to \$300,000,000. In December following the Secretary had failed to negotiate the five-twenty loan; and in his report, to which I will now refer, he says that it is impossible for him, under the restrictions contained in these acts, to sell the bonds; that after all his efforts he has sold only a few millions; that the loan has been a failure, and he asks for additional legislation. I now ask attention to that report. He states the failure to negotiate the five-twenty loan, and then says:

The act of last session [the one to which I have already referred] authorized the Secretary to issue bonds of the United States, already often mentioned as five-twenties, to the amount of \$500,000,000, and to dispose of them for coin or United States notes at the market value thereof. In the same act authority was given to issue \$150,000,000 in United States notes, which authority was afterward enlarged to \$250,000,000; and it was provided that any holder of such notes to the amount of fifty dollars, or any multiple of fifty, might exchange them for five-twenty bonds at par.

The effect of these provisions was to make negotiations of considerable amounts impossible; for considerable amounts are seldom taken, except with a view to resales at a profit, and resales at any profit are impossible under the law.

Then he goes on to say:

The Secretary respectfully recommends the repeal of both these provisions. The first imposes, it is believed, a restriction which Congress did not intend; and the second has been followed by the inconveniences which were feared rather than by the benefits which were expected.

Then he goes on to say :

Should Congress, however, be of opinion that these clauses should be retained, it will be necessary to provide for other laws, at rates more favorable to the takers than convertibility into five-twenties. This can be done either by authorizing bonds at longer time or by increasing the rates of interest offered. The Secretary can not recommend either course except as an alternative to no provision at all.

When we were called upon to consider this question we had to choose between three alternatives: the repeal of the restrictions which prevented the sale of five-twenty bonds, or the sale of the bonds at a higher rate of interest, or their sale below par. After long consideration—for the subject was debated over and over again—the Committee on Finance agreed upon the act of March 3, 1863. That act repealed the limit as to the amount of circulation and raised it to \$450,000,000; it also took away the right to convert, which the Secretary said was the other restriction that prevented the sale of the bonds, and limited the right of the holders to convert the outstanding greenbacks to the 1st of July then next. By this legislation the limitations which prevented the sale of the first five-twenty bonds were repealed, and then, for the first time, this loan was taken. Then it was that an agency was organized and means were taken to spread the bonds over the country, and they were sold; but they were not sold until these restrictions were removed, and they were sold upon a basis of \$450,000,000, without the right of redemption, with no privilege whatever except that of being receivable in payment of taxes. That was the state of the law upon which the legal right of the holders of the five-twenties rests. People refused to buy these bonds upon the terms of the act of February 25, 1862. They did buy them under the act of March 3, 1863; and it is idle to rest their claims upon restrictions repealed before the bonds were issued.

I wish to read a little further, to show that the Secretary of the Treasury, Mr. Chase, a year afterward, in December, 1863, in his report, again stated that Congress, having relieved him from the restrictions of the act of 1862, enabled him to sell the five-twenty bonds. He says :

On that day, March 3, 1863, the act to provide ways and means for the support of the Government received the approval of the President and became law. In addition to various provisions for loans, it contained clauses repealing the restrictions affecting the negotiation of the five-twenties, and thus disengaged that important loan from the embarrassments which had previously rendered it almost unavailable.

Then he goes on and says that every dollar of the loan was sold in a short time, presenting a remarkable case of success; but it was not sold under the act of February 25, 1862. On the contrary, there was an utter failure to sell the loan under that act. It was sold under the subsequent law which repealed the restrictions of the act of 1862, and it was sold upon a basis of currency amounting to \$450,000,000, and when the notes had been so depreciated by our legislation, intentionally, for wise purposes, when the right to fund was taken away, and no right was given to the notes except to be paid to the Government in the way of taxes.

It is true that the various agents of the Government stated that these bonds would be paid in coin, and that creates the embarrassment

in regard to this matter that has always affected my mind more than any legal difficulty in the way ; because I think the nation is not only bound to observe the law, but it is bound to pay a reasonable degree of respect to the representations made at the time these bonds were sold. It is true, as matter of law, that no agent could vary the contract ; that every man who bought these bonds bought them upon the face of the law, and not upon the mere advertisements of agents. Still every wise legislator would consider the extent of those representations, and how far they affected the public mind.

It has been sometimes said that Congress silently acquiesced in them, but that is not true. Congress was not in session when any portion of this loan was sold. We adjourned on the 4th of March, 1863, and did not convene until the December following, and within that time all the bonds were sold. The silence of the subsequent Congress could not change the contract which was made in March, 1863, and had no effect upon the case.

It has been suggested that the Treasury Department has decided that the bonds were payable in gold, reference being made to the decision of Secretary Chase on the payment of the Texas bonds in December, 1862. It is claimed that the Secretary of the Treasury then decided that the legal-tender clause did not apply to Government securities. Now, I will read the decision of the Secretary. I read from his letter of January 5, 1863, in reply to a resolution of the House of Representatives. He states that he concluded to pay this loan in coin for these reasons :

My judgment was determined in favor of payment in coin, not merely by the weighty considerations growing out of its beneficial influences on public credit, but by the circumstance that I found myself able to obtain the needed specie at a cost so small that payment in coin was, in fact, a less inconvenience to the Treasury and a less interference with payments to and for the army and navy than payment in notes would have been.

A letter signed by George Harrington, Assistant Secretary, dated May 26, 1863, and a letter of Mr. Field, also Assistant Secretary, have also been referred to. Mr. Harrington said in his letter :

The five-twenty sixes, payable twenty years from date, though redeemable after five years, are considered as belonging to the funded or permanent debt ; and so also are the twenty-year sixes, into which the three-year seven-thirty notes are convertible. These bonds, therefore, according to the usage of the Government, are payable in coin.

The letter of Mr. Field, when he was Assistant Secretary, simply stated as a fact that the bonds would be paid in gold: There was no reference to the law, no decision upon the terms of the law, but a mere reference to the custom of the Department as to old bonds issued before the legal-tender act ; and no doubt it was made upon the common expectation that long before the five years expired specie payments would be resumed, and no doubt they would have been if our arms had been victorious during that summer ; but certainly none of these letters can be regarded as a formal construction of the legal-tender act, which is not even referred to.

Mr. President, I will not follow this matter further, because it is

not necessary for my argument that I should do so; but I submit to Senators whether the presentation of the law and the facts in regard to the five-twenty loan does not at least raise a reasonable doubt upon which honest men may disagree. All that is necessary for my argument is to show that there is such a doubt as to the manner of paying these bonds. If such a doubt exists it ought to be removed, or some other bond substituted, in order that this unsettled question may not poison the public credit.

The second mode of paying off the five-twenty bonds is proposed by partisans, and consists in a new issue of greenbacks. This is a plausible and a dangerous device. No man can justify it. Why? Because the very acts under which these bonds were issued contain limitations which we can not and dare not exceed. These limitations were put in every loan act, and finally embodied in the form of a guarantee in the act of June 30, 1864, to which I will now refer. The limitation contained in the last preceding act, that of March 3, 1863, in force when the five-twenties were negotiated, was \$450,000,000. The act of June 30, 1864, modified and repeated this limitation, as follows:

Nor shall the total amount of United States notes issued or to be issued ever exceed \$400,000,000, and such additional sum, not exceeding \$50,000,000, as may be temporarily required for the redemption of temporary loan.

This limitation upon the amount of greenbacks was always a part of the loan laws, and why? Because the amount of those notes issued would regulate and fix the value of the bonds themselves. In all the loan acts, therefore, the amount of greenbacks issued from time to time was limited by law, and that limitation was a part of the contract under which the bonds were issued; and hence any proposition which looks to an increase of the legal tenders with a view by this increase to pay off the five-twenties would be a plain, palpable violation of a public engagement, just as much as would be a clipping of the coin, or, to follow the example of the middle ages, a debasement of the coin. Every additional greenback issued tends to depreciate the value of the security; and therefore, as the law itself limits the amount, it must be complied with, whatever is the consequence.

I take it, then, that no proposition will ever receive the sanction of Congress in the face of this law, providing that the five-twenties shall be redeemed with any other notes than those in existence at the time they were sold; that any proposition of that kind would be dishonorable to the country and dishonorable to any one who seriously proposed and advocated it. It would be to create a depreciated currency in order to evade the payment of an honest debt.

But, sir, aside from that, as an act of public policy, it would be injurious. It would impair all values; it would affect all prices. None would suffer from such a debasement of the currency so much as the laboring man. Labor is the last thing except real estate to feel the effect of a change in the currency, because labor is more abundant than any other commodity. Labor feels last the advance caused by the inflation of paper money. I trust this proposition when discussed by the people will be generally repudiated, and I believe it will be. I regard this limit upon the amount of greenback currency as a sheet

anchor of public safety; that in no event whatever is it to be violated.

It is sometimes said, why will not the proposed increase of banking circulation have the same effect as the increase of greenbacks? This question is put in regard to the bill reported by my friend from Missouri [Mr. Henderson] to repeal the limitation upon the amount of banking circulation. I answer that the effect is very different. The amount of bank notes may be left free without any legal limit, if only the right to present the note for redemption is always enforced. Redemption must be at present in legal tenders, but we all look to an early resumption of specie payments. There is no check on banking, there is no use in banks, unless you have specie payments. Bank notes, unless they are based on the payment of specie or something that is or will soon be equivalent to specie, are injurious, and therefore I am not in favor of any increase of the bank-note circulation unless it is in view of the speedy resumption of specie payments. But, sir, if bank notes are based on coin, or if they are redeemable in coin, their amount may be left to the demands of trade, to the wants of the community. The power to present them for payment at any time is a sufficient check on the amount. That is shown by the experience of many countries. In England the limit is very rarely reached. In New York they had a very good State system, which, if it had been extended all over the United States, under the control of the General Government, would have been a wise one. That was a system of free banking under which any man might bank who would keep up the specie standard, and give the requisite security to the public and redeem his notes in specie.

I come now to the third mode that has been suggested, and that I have necessarily discussed as I have proceeded. I here again desire to repeat that, in what I have to say in regard to the manner of paying or redeeming the bonds, I do not speak for the Committee on Finance, because, in the view which they took of it in the bill which they reported, they did not decide that question. I merely present the argument.

Equity and justice are amply satisfied if we redeem these bonds at the end of the five years in money of the same kind and of the same intrinsic value existing at the time they were issued. Senators are sometimes in the habit, in order to defeat the argument of an antagonist, of saying that this is repudiation. Why, sir, every citizen of the United States has conformed his business to the legal-tender clause. He has collected and paid his debts accordingly. Every State in this Union, without exception, has made its contracts, since the legal-tender clause became law, in currency, and paid them in currency. Indeed, every State in this Union except Massachusetts and California, has gone further, and, as I think, improperly, and has paid in legal tenders either principal or interest of preëxisting debts contracted on the basis of gold. Connecticut pays her interest in paper on debts contracted since the passage of the legal-tender act. There is a wide distinction as to preëxisting debts between the right of a citizen to pay a debt under the legal-tender act and the right of a State or a Government to do it; but as to debts contracted since the legal-tender law took effect,

they were contracted in currency, and upon the express stipulation in the law that their principal should be paid in legal tenders and the interest in coin. If that stipulation was not in the law, the right to redeem would only rest upon the general principle that a debt may be paid in the kind of money in which it was contracted.

But public as well as private debts contracted since the legal-tender act do not rest upon inference, but upon the express stipulation in the law; and it is equitable and right that the United States should avail itself of this part of the contract.

Sometimes this bill has been regarded as a threat. We do not so intend it. We say to the holders of our public securities, except the existing ten-forties, "We will give each of you, at your option, this form of security in exchange for that which you now have; if you accept this offer by the 1st of November next, we will give you certain exemptions; if not, you stand upon your existing right, and all questions affecting it shall be postponed until the next session of Congress." It is said that this is a threat. I do not so regard it. The committee has provided no alternative in case the bond-holders do not accept. Their bonds still stand, and no one proposes the alternative adopted by the English Government, which I intend to refer to in a moment, of stopping the interest, or the alternative adopted by our own Government under Hamilton's plan of reducing the interest. We leave the bond-holders to stand precisely as they are, and they will be paid their six per cent. interest in gold until their bonds are redeemed, and they can not be redeemed under existing laws without further legislation. All that the Committee on Finance do in this bill—and, perhaps, in discussing the other points I have gone beyond the necessity of the case—is to offer to all the public creditors these new bonds for the old, the exchange to be made without expense to the Government, without sacrifice by any one, leaving every man to judge for himself whether his interest and substantial equity will not be promoted by it. If he does not accept he stands by his bond, and Congress must decide whether the redemption of these bonds shall be postponed to some indefinite future when we may be able to pay gold for what we received in depreciated paper. We do not decide it, and do not undertake to, but we simply submit the option.

Even if Senators do not agree in the view that I take of this matter, it is necessary to provide this new loan for this reason: we must provide for the funding of some one hundred and odd millions of loan that is maturing; we must provide for the redemption of the compound-interest notes; we must provide for the conversion of the greenbacks, which we do in another section; we must provide some bond into which even the floating debt may go; and it is advisable in making that bond to select, if possible, a bond into which the whole mass of the public debt may from time to time be converted according to our future laws.

These obligations are convertible into five-twenties as the law now stands, but would any Secretary now convert any more of our currency debt into five-twenty bonds bearing six per cent. interest in gold? As I shall show hereafter, there is no such burdensome loan negotiated by

any civilized nation in the world as our five-twenty loan, if it is to be paid in gold. Therefore, I would say, as I said two years ago, that I never would issue another five-twenty bond, because it is the most expensive form of loan. Just consider it: seventy-six dollars of gold will buy a five-twenty bond bearing six per cent. interest in gold, and that bond cannot be redeemed, according to one construction, until the United States are ready not only to pay six per cent. on one hundred dollars for the use of seventy-six dollars, but also to pay one hundred dollars in gold for what now costs seventy-six dollars. That is the proposition, and I say I never would issue another five-twenty bond. I think our great mistake has been that we have funded a great mass of our floating debt already into five-twenties, and given to the public creditors the right to demand this large rate of interest for so long a time.

Now, I wish to show, as we are governed in a great measure by example, that the proposition made by the Committee on Finance is in exact accordance with the course that has been pursued in England six or seven times, and once in our own country. In England, prior to 1715, the rate of interest was six per cent., which was reduced by an act of Parliament to five per cent., and without negotiation. In 1725, after the explosion of the South Sea bubble, the rate of interest on the mass of the public debt was reduced from five per cent. to four per cent. This was done mainly by negotiation through the great corporations of London, the Bank of England, the South Sea Company, and one of the India companies. They reduced the interest by issuing four per cent. annuities in payment of five per cents, paying off what were called the dissentients.

In the middle of the eighteenth century the rate of interest all over Europe became lower than ever was known before. It fell to three per cent. In 1737 it was proposed in England to reduce the interest on the public debt from four to three per cent. This passed the House of Commons two readings, and was lost on the third. In 1742 a similar attempt was made to reduce the rate of interest, and in 1749, under the administration of Mr. Pelham, it was carried into execution; and we have in Hansard's Debates, and also in the biography of Mr. Pelham, an exact account of this transaction. Mr. Pelham was warned before he made this proposition of the effect upon himself; but he persisted in it, and finally carried it through, after quite an extended argument. His proposition, in short, was that any holder of any security bearing four per cent. interest might, within a given time, present it, not for redemption, but to receive in exchange a security bearing three and a half per cent. interest for four or five years, and after that bearing three per cent. interest. Nothing was said about redemption; but it was understood, no doubt, that in case holders did not accept it their securities would be redeemed. The result was an angry debate, in which it was alleged that this was a violation of the public faith. I read a note in Hansard's Debates, taken from Tindal. Tindal says:

This was generally looked upon to be a very bold measure in the minister, and some of his best friends, even the day before the vote passed in the House of Com-



mons, endeavored to persuade him against it. But he appeared determined, and in a few weeks they approved of his steadiness as much as before they blamed his obstinacy.

I read from Mr. Pelham's biography what is there said on the subject :

Duly impressed with the importance of his financial plan, Mr. Pelham suffered no avoidable delay to intervene before he submitted it to the House. By this promptitude he manifested the decision of a great minister, for the proposal was at first so unpopular or so little understood that even on the very day before the resolutions were brought forward some of his friends endeavored to dissuade him from his purpose ; but their remonstrances were ineffectual. He persevered in his determination, and the event fully justified his expectations. On the 28th of November a motion was made for a committee of the whole House, to take that part of his Majesty's speech into consideration which related to the national debt. The expediency of reducing the interest had been so clearly demonstrated by Mr. Pelham that his plan was unanimously approved.

The great corporations which had aided in the former reduction in the interest of the public debt combined against it, and for two years defeated it. The House of Commons was firm, and threatened to repeal some of their privileges, and finally compelled them to acquiesce.

There is a still more interesting case, and one more applicable to our present condition, which occurred in England in 1822. During the wars which probably tested the power of England more than any other event in her history—her wars with Napoleon—she was compelled to resort to great sacrifices. She issued all manner of securities ; she sold her bonds at one time at fifty or sixty cents on the dollar ; she issued five per cents, four per cents, and three per cents, and all other forms of security. After the war was over, before the resumption of specie payments, Mr. Vansittart, then Chancellor of the Exchequer, proposed to fund the public debt by a proposition very similar in language to the one submitted now by the Committee on Finance. The great mass of their floating debt consisted of five per cent. exchequer bills—navy bills, as they were commonly called—which were very much such bills as our five-twenty bonds. They bore five per cent. interest. Mr. Vansittart introduced his bill on the 25th of February, 1822 ; and we have the whole debate in Hansard. His proposition is in substance like our own. It simply declared that the holders of those five per cent. bills might present them at such a time for exchange for a four per cent. annuity. If they did not present their securities, their assent was implied. There was some opposition to the measure. It was alleged to be a violation of the public faith ; it was before specie payments were resumed in England, when all payments were made in Bank of England notes. It was finally carried, after debate, and acquiesced in.

There is also one case in our own history, and that is the funding system adopted by Alexander Hamilton. The Constitution of the United States declared that the public debt of the United States should be inviolate, and the new Government assumed the debt of the old Confederacy ; but, as a matter of course, it was in a condition of great uncertainty ; the interest had been unpaid for a long time, and there were disputes as to the amount. Alexander Hamilton, as first Secre-

tary of the Treasury, proposed a plan of funding and grouping together all this mass of indebtedness. His report on the public credit was regarded by his friends, and has been regarded by the whole world, as a remarkable production; and yet what was Alexander Hamilton's funding plan? He proposed, first, to ascertain the amount of the national debt, which was finally computed to be and was settled at \$54,000,000, foreign and domestic. Did he propose to pay that off in precise conformity with the terms on which the debt was contracted? Not at all. He also ascertained the amount of the State debts; nearly all the States were overwhelmed with debts that grew out of the revolutionary war, and they were ascertained and apportioned; the general aggregate of all was \$75,000,000. How was this funded? By offering the fund-holders six per cent. bonds for two thirds of their debt, and the other third was paid, some of it, by three per cent. bonds, some by four per cent. bonds, some by public lands, and some by annuities. The plan of Alexander Hamilton embraced various forms of loan, and all was submitted to the voluntary will of the fund-holders. Some of them refused to agree. What did he do then? He only paid them in accordance with the stipulations made as to the rest of the loans. I will read a short paragraph or two from this document of Mr. Hamilton to show how he regarded the public debt:

The interesting problem now occurs: Is it in the power of the United States, consistently with those prudential considerations which ought not to be overlooked, to make a provision equal to the purpose of funding the whole debt, at the rates of interest which it now bears, in addition to the sum which will be necessary for the current service of the Government?

The Secretary will not say that such a provision would exceed the abilities of the country; but he is clearly of opinion that to make it would require the extension of taxation to a degree and to objects which the true interests of the public creditors forbid. It is therefore to be hoped, and even to be expected, that they will cheerfully concur in such modifications of their claims, on fair and equitable principles, as will facilitate to the Government an arrangement substantial, durable, and satisfactory to the community. The importance of the last characteristic will strike every discerning mind. No plan, however flattering in appearance, to which it did not belong, could be truly entitled to confidence.

He provided for four per cent. interest to be paid to those who did not agree to the offer, two per cent. less than they were entitled to under the law creating the debt. After speaking of those who might refuse the offer, he proceeds to say:

Hence, whatever surplus of revenue might remain, after satisfying the interest of the new loans and the demand for the current service, ought to be divided among those creditors (if any) who may not think fit to subscribe to them. But, for this purpose, under the circumstance of depending propositions, a temporary appropriation will be most advisable, and the sum must be limited to four per cent., as the revenues will only be calculated to produce in that proportion to the entire debt.

The Secretary confides for the success of the propositions to be made on the goodness of the reason upon which they rest; on the fairness of the equivalent to be offered in each case; on the discernment of the creditors of their true interest; and on their disposition to facilitate the arrangements of the Government, and to render them satisfactory to the community.

I say the plan now proposed by the Committee on Finance is in accordance with precedent, holds out no threats, and deals with all

alike, holders of five-twenty bonds, greenbacks, and all. It gives them a proposition to fund their debt at their own option by the 1st of November next; or if they do not choose to do it, then, as a matter of course, the question is to be decided at the next session of Congress whether or not Congress will redeem the five-twenty bonds in the currency in which they were contracted or postpone their redemption, paying the interest at six per cent. in gold, until we can redeem the principal in gold. Whatever view Senators may take of this, they can not avoid making some provision by some loan less onerous than five-twenties for funding the greenbacks and the floating debt of the United States; and into that loan, whatever it may be, the whole debt may eventually be funded.

Now, Mr. President, the question is whether the terms of the proposed loan are reasonable and fair, such as we ought to propose to our own citizens, and such as our constituents may reasonably hope to fulfill.

The first question that arises is the exemption from State taxation. No Government that I have been able to find ever allowed its bonds or securities to be taxed. The United States never did. In the absence of stipulations to the contrary, the courts have always held that no State or subordinate authority could tax the national securities. It may, it is true, be made a part of the loan that the States shall have a power to tax them, but who would buy such bonds? I never would vote for such a provision. I never would allow a subordinate authority to thus control the public credit of the United States, or have a voice in the matter. The effect in time of war would be disastrous. Such a power would prevent the citizens of a State where the power was exercised from loaning money upon Government securities. I take it therefore as an axiom, that in no event shall we allow subordinate authorities to tax the national securities. I need not refer to the authorities on this subject. I have done that before.

The next provision is the exemption from any discriminating property tax. Men who do not understand the question have proposed to tax Government securities specially, like a special tax on manufactures; and the proposition has been, perhaps, broached in Congress to tax Government securities one or two per cent. in lieu of all other taxes. Such a provision would be a clear and palpable violation of the Constitution and of the law. It would be worse than repudiation; it would be the meanest kind of repudiation. Why? Because it would be a special discriminating tax on property. A tax on manufactures is a tax on consumption. The manufacturer may add that tax to the cost of the article, and the consumer who finally uses the article pays the tax. That is the principle upon which it rests. A special tax on property is a diminution of the property. It cannot be collected from any one else, or shared with any one. It is a direct tax—as much so as if levied on farms; and, being a direct tax, it is unconstitutional, unless apportioned among the States according to population.

One of the earliest cases which came before the Supreme Court was the well-known case involving a tax on carriages. There the Court held that it was the use of the carriage which was taxed, and that was

a proper tax, because it was a tax on the use of a luxury. It was the enjoyment or use of the carriage that was taxed, not the property in the carriage. No special tax can be levied on property. If this principle once prevailed, that we might select any kind of property and levy a discriminating tax on it, the time might come when shipping might be selected as the subject of a special tax; when property in lands, plainly against the intention of the Constitution, might be selected for the levying of a discriminating tax. We purpose, therefore, in order to avoid all controversy, to put a stipulation in the new loan law exempting these bonds from all discriminating taxation by Congress, but leaving them subject to the same income tax that other income is subject to.

There is some difference of opinion as to the rate of interest of the new bonds. The Committee on Finance took great care in deciding this question. We believed that we could not hope to negotiate a loan at a rate lower than five per cent. It is the lowest rate of interest ever provided for in any loan act of the United States, except in the funding scheme of Alexander Hamilton, already referred to, where a certain portion of the debt was funded at three per cent. I have looked with care into recent foreign loans, and I find that no Government in Europe has recently sold its bonds at a less rate of interest than five per cent. When the nominal rate was lower, they were sold at a discount. The English loans during the Napoleonic war yielded the lender a rate of interest averaging over five per cent. I have on that subject a number of authorities, and I will refer to one or two of them.

In the compendium of finance which I have before me there is a statement of the amount of the various loans negotiated by the English Government during the second French revolutionary war. The whole amount of loans negotiated was £420,905,400 sterling, or over two thousand million dollars. The amount actually received from those loans by the Government was £266,800,000 sterling, or at the rate of about sixty per cent. The securities were mainly three per cents, though large sums bore four and five per cent., so that the rate of interest actually paid was over five per cent. In 1815, after Bonaparte had left the island of Elba, when it became necessary for the English Government to negotiate a large loan, they sold £66,000,000 of three and four per cent. consols for £36,000,000 sterling, or about fifty-six cents on the dollar.

So it is in France. We have all heard about the popular loan in France during the Crimean war, and it was regarded as a remarkable success in its time. It was undoubtedly very popular in France. The first loan, on the 14th of March, 1854, was for 250,000,000 francs. It was sold at the rate of one hundred francs of three per cents for sixty-five francs and twenty-five centimes, and at the rate of one hundred francs at four and a half per cent. for ninety-two francs and fifty centimes, making really a little over five per cent.

The ordinary legal rate of interest in most of the States is seven per cent., and the actual rate among merchants often amounts to ten. We have by the discrimination made in favor of these bonds reduced the rate to five per cent., and it seems to me that that is as low as it is

possible to negotiate this loan. As a matter of course, if I believed it was in the power of the Government without adopting measures injurious to the public interest to negotiate a bond at a less rate of interest, I would gladly have it done; but after full examination of this question the Committee on Finance came to the conclusion that the loan could not be negotiated at a lower rate.

There are various reasons why the rate of interest all over the world is now higher than it was one hundred years ago. The artificial wants of society have been very much increased. We have railroads, steamboats, and telegraphs, vast avenues, sources, and demands for wealth and capital, that one hundred years ago Benjamin Franklin and Dr. Johnson never thought of. The railroads in this country at this time are worth more than all the country was worth at the time of the revolutionary war. All these new elements of social progress make demands for money, and therefore raise the rate of interest. There is another remarkable fact which causes a general advance of the rate of interest all over the world in this as compared with the last century, and that is the vast addition made to the coinage of the world. The discovery of gold and silver has caused an advance in the rate of interest. Why? Because every man who loans money now, especially on long time, knows that he will be paid off at the end of the period in a commodity with less productive, purchasing power than that he loans. The actual depreciation in gold and silver coin for a number of years has been a little over one per cent. per annum, so that if a man now lends \$1,000, payable in gold twenty years hence, he will get back his \$1,000 at the end of twenty years with one fifth of its purchasing power shorn off by the additions in the mean time to the value of the gold and silver of the world. The truth is now that while real estate is advancing money is depreciating. All productions are advancing, while the relative value of gold and silver coin to other commodities is diminishing. A productive four per cent. investment in real estate is a more profitable investment than six per cent. in the best bonds in the world. Why? Because those bonds in the future will be paid off in gold and silver coin when it has less purchasing power than it has now, while the lands, by the gradual increase of the country, are increasing in value. The one diminishes at the rate of one per cent. per annum, according to the best statisticians, and the other increases in this country at the rate of one and a half per cent. per annum.

I say, Mr. President, we cannot negotiate a bond bearing a less rate of interest than five per cent. except, first, by increasing and depreciating the greenbacks, and that certainly we ought to oppose to the utmost; or second, by the English plan of selling the loan below par, to which our people are not accustomed, and to which they would not submit. That resort would increase nominally the public debt. Even if the rate of interest should be more favorable, the popular judgment would condemn it, because they look upon a debt as a temporary thing to be paid off in full, and not, as in England, a permanent thing, of which the principal is never to be paid, and only the interest to be provided for.

There is this great difference between our system and the English

system. In England they sell their credit below par. They fix the rate of interest, and they sell securities in open market at what they will bring. In this country we fix the price of our bonds at par, and ask money-lenders at what rate of interest they will loan us money. That is the difference. Why is it so? Because in England they do not anticipate the payment of the principal.

There is another way in which I suppose we might negotiate a bond at a low rate of interest; and that is, by postponing the payment of the principal to an indefinite period. That, however, is against the American notions of finance. Our people have always looked upon a debt as a burden to be paid off as rapidly as possible, and public opinion and good policy would not tolerate the making of a very long loan; and I for one would not, under any circumstances, vote for one which it would not be within the power of the Government to redeem within twenty years.

A bond at four per cent. or any other less rate of interest would be looked upon as confiscation; you could not negotiate it; five per cent. is now about par, and we can sell a five per cent. bond without increasing the greenbacks a single dollar. I do not desire to see the greenbacks increased beyond their present amount. There is no necessity for it. We can reduce the rate of interest from six to five per cent. without increasing the volume of greenbacks, and we can thus save to the people of this country \$17,000,000 in gold per annum without deranging the currency, disordering the money market, or depreciating our credit. I do not desire to force upon the market a loan bearing a lower rate of interest, which will require more greenbacks to float it, or require us to sell it below par, or to postpone the time of payment. We can negotiate a five per cent. loan now in the present state of the money market, disordered as it is by political complications, maintaining, however, the right within a reasonable time, say ten years, to make a further reduction to four per cent. if we can, and after that to three per cent. or whatever public credit will allow; but an attempt now to reduce the rate of interest to four per cent. would be regarded in this country and abroad as a species of confiscation.

The section of this bill in regard to the payment of the principal of the debt only establishes the general idea that the debt itself shall be paid at some time. The Committee on Finance, after much reflection, agreed to fix the amount which should be annually applicable to the payment of the principal and interest of the debt at \$135,000,000. The amount of the interest now is \$129,500,000, so that we appropriate about five and a half millions to the payment of the principal; but, as a matter of course, this sum being applied annually, while both the principal and the interest of the debt are being reduced, partly by funding, partly by payment, partly by the operation of this law, the interest will gradually be decreased, and the amount applicable to the principal will thus annually increase. If all our debt is funded into a five per cent. loan except the long bonds of 1881, and the amount should be \$2,200,000,000, leaving outstanding the present amount of greenbacks and no more, the interest on the debt would cease to be a burden, and the difference between the amount appropriated and the

amount required, to pay the interest would gradually pay off the principal of the debt. I have a table, prepared at the Treasury Department, showing the precise operation of this plan, by which it will appear that it would pay off the debt by 1909.

Mr. President, I desire now to make a few observations in regard to the sections of the bill relating to the United States notes; and these I consider as vitally important. We propose to restore to the holder of United States notes the right to fund them at pleasure into the new bonds. There is more just ground of discontent and more real discontent among the people of this country because of the discrimination made between the bond-holder and the holder of the greenback than from any other cause. You compel every citizen of this country to take the greenback as money, willing or unwilling; it is the measure of the value of his labor; and yet it has no purchasing power except from the hope that in some future time the United States will redeem it. It may be forced upon another man in payment of a debt; it may be applied to pay taxes; but it can not be converted into income except at a discount.

A man can not take United States notes payable on demand to a broker and receive in exchange any security issued by the United States. In 1863 we were compelled for wise purposes to take away the right of the holder of the greenback to fund it, because we wished then to force our loans upon the market, and while that right was outstanding we could not do it. Now that the war is over, and the whole process of funding is intended to be at the will of the note-holder, we ought promptly to restore this right to allow the note to be converted at any time into some kind of bond; and we propose also to allow the bond to be converted into notes, keeping within the limit of notes fixed by law. Then there is no discrimination; the bond-holder and the note-holder are both public creditors; both depend upon the public faith. The note-holder may go to the Treasury of the United States and demand his bond; the bond-holder may go also and demand his note. They are put on a basis of equality, and will be of equal value. This destroys all speculation in Government securities. The note-holder may at his option draw interest in gold by converting his notes into bonds, and the popular cry of demagogues that we have provided gold for the bond-holder and notes for the people will be silenced; and there is no reason why the note issued to the laboring man should now be less valuable than any other form of Government security. An important effect of this provision will be to furnish money to redeem the bonds or any other securities that offer, and without resorting to a sale of bonds. I do not propose, nor do the Committee contemplate, the issue of any new greenbacks. We suppose that the process of funding these notes will furnish ample means to redeem all the outstanding bonds and securities as they become redeemable. I have no doubt the same process will go on here that occurred in Europe: a small amount of money will pay a large amount of bonds. The mass of bonds will be exchanged without money. The transactions paid by money compared with the transactions paid by checks and other forms of paper are as one to a thousand. The daily balances in the exchanges

in the New York clearing-house amount to many millions, and yet the amount of currency to pay these balances is often less than one per cent. of their nominal amount.

Other reasons may be given for the new feature of this bill giving the holder of bonds the right to convert them into notes. It is indispensably necessary to guard against sudden contraction and panic. There are times when the notes will float into bonds so rapidly as to contract the currency, and thus derange business and prevent the movement of crops. This privilege will give flexibility and movement to the currency of the country. Every exchange will be a benefit to the Government. If the holder of a Government security bearing interest surrenders it to the Treasury for a note without interest, the United States saves the interest. If, on the contrary, the notes are funded for a bond, the notes may be used in the redemption of other bonds bearing a higher rate of interest. If the money market becomes stringent, if currency becomes scarce, the holder may be willing to surrender his bond bearing five per cent. interest in gold, in order to get currency with which to pay his debts; and why not give him that privilege? It is a benefit to the United States, and it is the only mode by which, during the suspension of specie payments, we may make a flexible currency.

And, sir, this loan will be the great savings fund of the people of the United States. Every man having money for a time idle will float it into these ten-forty bonds; and while we have the money we shall pay off bonds bearing a higher rate of interest. When he desires it again, he can come back and get the bond; and so this operation may be carried on with perfect safety. Now the deposits in the savings banks amount to over five hundred million dollars. Why should not this money be deposited in the Treasury? Why should not these little streams of the savings of the laboring man help to float the public credit? The Government of the United States ought not to feel too high to acknowledge the services of such a fund. It will be useful. The bond will enable the depositor to get the full value of his money. Now he deposits in savings banks, where he gets four or five per cent. interest in paper money.

In every view we could take of this proposition, after the most ample consideration, we thought it was a wise provision, and would work well. The printing and exchanging of these bonds will be carried on at the Treasury Department or at the depositories, or other proper places of exchange, and the only cost will be that of printing. This method of exchange is adapted to the wants of trade, and will tend to give increased value to the notes; and my firm conviction is that both notes and bonds will gradually rise, until they reach the standard of gold, when the whole process will cease according to the provisions of the bill. I look upon this provision as the most rapid way to specie payments.

The only section of the bill to which I have not alluded is that which legalizes contracts in gold. That is right in itself. I always supposed that the legal-tender act was not intended to affect the right of the people to negotiate, buy, and sell gold, if they chose. Some of the courts,



however, have decided otherwise. Whatever the law may be, there is no objection to unlocking the hoards of gold, and allowing the people to deal in it as they choose. It makes another addition to the currency, and will gradually make our people become accustomed to dealings and transactions in gold, thus tending in the right direction. Where one man lends gold to another man, it is equitable that he should have gold back in payment; and it is very inequitable for the debtor in such a case to refuse to pay it, and commit a fraud by means of the law. I think it will be beneficial to insert this provision, because dealing in gold will have a tendency toward specie payments.

I have thus, Mr. President, presented the leading provisions of this bill. I appreciate the difficulties of the subject, and the personal responsibility I assume in advocating a measure that may fail of its purpose. It is far easier to sit quiet, to propose nothing, and criticise the measures of others; but such I do not understand to be the duty of your Committee on Finance. We are actuated by an earnest desire to reduce the burdens of the people without injury to the public credit or injustice to the public creditor; by a firm conviction that the offer here made to the bond-holder is equitable and honorable, and that its acceptance will not only save an annual expenditure of \$17,000,000 in gold, but will settle upon a proper basis the mode of payment of the public debt, and still leave open, after a reasonable time, a further reduction of interest if practicable. Further than this the Committee does not go. It does not provide for a rejection of the offer; but I repeat that, if the offer is rejected, I will not hesitate to vote to redeem maturing bonds in the currency in existence when they were issued and with which they were purchased, carefully complying, however, with all the provisions of law as to the mode of payment and as to the amount of currency outstanding. This conclusion I have arrived at against the earnest arguments of personal and political friends, and against my own personal and pecuniary interests.

But, sir, I saw two years ago—and we all see clearly now—that the existing relation between the public creditor and the tax-payer is one by which the former enjoys all the blessings of a Government without cost, receives without diminution a higher rate of interest than your courts would enforce between citizens, and may demand payment of the principal in gold for paper lent, while your courts refuse to enforce a special contract for the return of gold for gold. Such a system can not endure in a Government not entirely despotic without creating discontent that may endanger the performance of the public engagements. You can not disguise your knowledge of this growing discontent. The unavoidable effect of approaching specie payments in reducing prices and shrinking values will increase this discontent. In that painful process the people will see that the untaxed productive annuities of the bond-holder alone will be increased in value, while all other forms of property will be reduced. It is not the interest, nor do I think it will be the desire, of the public creditor to invite this discontent. The same motive that induced him to trust the Government in its hour of peril will induce him to accept equity from those who are willing to do equity. And, sir, his patriotism will not be lessened when he reflects that while

his money aided in the good cause it has been the most profitable investment of capital he could have made.

Senators often tell us that we must not be influenced by public discontent or clamor. I agree with this when the discontent is not founded upon substantial equity; but, when it is so founded, it will make itself felt through you or over you. And Senators must remember that this is a government of the people, for the people, and by the people. It is not, like the government of Great Britain, a despotic oligarchy, where the rights of property override the rights of persons; where the laws are made to add to the accumulations of the rich, though hundreds of thousands may thereby be pinched with poverty. That is the land of entails, where the offices of the church are bought and sold as property, and where all that is good in life—office, honor, property—is confined to less than one-tenth of the population; where the laws are studiously framed to exclude the poor from political rights. We borrow from these people of kindred blood many of the best guards of liberty, but we must take care not to ingraft on our republican system the leading feature of their present government, the supremacy of property over labor.

Their wealth consists of vast accumulations of property produced by ages of labor. A generation adds but little to this aggregate of wealth; therefore their laws protect property at the sacrifice of labor. Here all the acquisitions of the past, all the accumulations up to this hour, are only equal to the accumulations that will be made by labor during the next ten years. Our wealth is in the energy and sinews of 30,000,000 free people, all equal, each working for himself, with no privileged hand to press him down in the race of life. It is this that has made our history like the tales of Arabian fiction. Our railroads alone, built since we were all young, are worth \$1,600,000,000, or more than the property of the United States when she took her place among the nations of the earth. The property of the State of Ohio is now worth more in gold than that of all the colonies when they proclaimed independence; and yet Ohio was then a pathless wilderness where no white man dwelt.

The entire debt of the Revolution, which Alexander Hamilton approached with terror, which our ancestors debated over for years, upon which parties were formed and dissolved, was \$75,740,111.30, including over \$17,000,000 of State debts assumed; and yet now we appropriate one half of that sum for pensions, and will this year reduce our current expenses more than that sum. All this vast progress is the result of labor. To encourage, maintain, and reward labor must be the principal object of our legislation. Capital can take care of itself. It has many advantages in competition with labor. It may be idle; labor can not be. It does not grow hungry; it does not become cold or sick; while labor must be supported by food and clothing, and awaits sickness and death. Capital is only useful to the country as it gives employment to labor, as a means to further development, while all labor tends to create new wealth.

When capital is invested in Government bonds, it is useful, so far as further development is concerned, only in supplying the wants of

the owner. When employed in most other pursuits, it adds to the national wealth. Certainly it is not the public interest to make this investment so profitable and attractive as to draw into it the capital of the country, or to make it so permanent as to create a privileged aristocracy. No privilege should be granted to the bond-holder that is not granted to the note-holder. Both are public creditors, and both can equally appeal to the public faith. The whole public debt should be made to assume such form that it may be a part of the circulating capital of the country, bearing as low a rate of interest as practicable, and only with such exemptions as will maintain it at par with gold. Whether this bill will promote these objects it is for the Senate to say. I confidently believe it will. I do not appeal to any party for the support of this measure, for it affects all alike. All must contribute to the public taxes, and all will share in the benefits of any relief.

But while we trust our political adversaries may support this as a measure of relief to our constituents, yet the fate of the bill must rest mainly upon the Republican party. It is my pride and hope that this powerful political organization, having conducted the country with safety and honor through the most memorable scenes of our history, may, still retaining the confidence of the people, gradually guide them back into the channels of peace, reduce their burdens, relieve them from oppressive taxes, and start again in productive labor the millions now waiting to develop the greatest country God ever gave to man.

Now distrust seizes upon every one. Wild schemes have been proposed, which drive capital from its moorings. Taxes are bearing heavily upon unprofitable industry, and complaints are made of the burden and distribution of these taxes. Sectional divisions are already showing their hydra heads, and disputes as to the terms of public engagements cast doubts upon the public faith. It is in such a time that Congress is able to perform its highest duty—that of an arbitrator. Upon questions involving the public debt, it is only the arbitrator. It can not shrink from this duty. I trust, sir, before this session closes, that Congress will provide for the redemption of our maturing bonds, thus saving ultimately \$17,000,000 a year; that it will adopt such measures as will gradually make the dollar in greenback in the hands of the laboring man equal to a dollar in gold; that it will throw off the great mass of our internal taxes, and reduce our ordinary expenses to the lowest practicable limit. These measures adopted, we may safely leave to our constituents the renewal of trade, the restoration of confidence, and the development of industry.

## INTERNATIONAL MONETARY STANDARD.

IN THE SENATE, JUNE 9, 1868.

Mr. Sherman made the following report :

The following documents have been referred to the Committee on Finance :

1. S. 217, in relation to the coinage of gold and silver.
2. S. 412, to promote uniformity of coinage between the moneys of the United States and other countries.
3. The proceedings of the International Monetary Conference, held at Paris in June, 1867.
4. The report of Samuel B. Ruggles, Esq., delegate from the United States in the International Monetary Conference at Paris, November 7, 1867.
5. Sundry memorials relative to changes in our system of coinage.

These documents present to the Committee of Finance the interesting question of international coinage, and in considering them we necessarily inquired :

*First.* Whether the object proposed was of sufficient importance to justify a change in the coinage of the United States.

*Second.* Whether the plan proposed by the Paris Conference was the best mode to accomplish the end desired.

*Third.* What legislation was necessary on the part of the United States to adapt our coinage to the plan proposed.

*Fourth.* What provision should be made for existing public and private contracts.

Your Committee, after a partial consideration of these questions, direct that the bill first named be reported with amendments, supported by the following report, and that Mr. Morgan, of the same committee, be authorized to submit a report adverse to the bill, and that these reports be printed, and that the bill be postponed until the next session, with a view to elicit a fuller discussion by the people of the several questions embraced in the bill.

*First.* The importance of a common monetary standard among commercial nations has always been conceded. It has been the hope of philosophers and statesmen and the demand of writers on political economy for centuries, but has been as strongly opposed by the jealousies of locality and the interests of rival nations. Commerce and peace have steadily approximated different standards of exchange toward each other, while local interests and war have as steadily caused them to diverge from each other. In all ages local and generally despotic authority has endeavored to make more money out of a given amount of gold and silver by clipping or alloy, while the general laws of trade and commerce have soon after reduced the current value of the money as it was reduced in weight and fineness. Formerly, not only each nation, but each province, duke, bishop, or municipality, made its own separate and distinct coin, often of the same name but

different values. The effort to unitize the different moneys of a nation was but a part of the process by which the modern nations of Europe have been formed, and in this process the original money was debased in a remarkable way. The pound sterling of England was, at the time of William the Conqueror, equivalent to a pound weight of silver; it is now 3 oz. 12 dwt. 16 grs. The German florin was originally a gold coin, worth about \$2.40; it is now a silver coin, worth about 40 cents. The French livre originally contained a pound of silver, worth about \$18.50; it is now worth about 19 cents. The Spanish maravedi in the year 1220 was worth \$3.20 of our money; it is now worth about a quarter of a cent. The result of these changes has been to secure to all parts of each leading nation a common unit of money—of fixed value. The pound sterling is the unit in Great Britain; the franc in France, Italy, Switzerland, and Belgium; the florin in South Germany; the thaler in North Germany; the dollar in the United States; and various other units in other nations. These units are purely arbitrary, based upon local law, and diverse in weight, value, and alloy. They are, in some nations, of gold only; in some, of silver only; and in some, a compound standard of gold and silver, differing materially in the amount of alloy, and in the relative value of the two metals.

For local purposes it is not very material which metal is the standard, nor of what weight and fineness the standard may be, if only it is of fixed and invariable value; for the value of property and all internal commerce adapts itself to the intrinsic value of the gold and silver in the prescribed standard.

The inconvenience of different standards of value arises mainly in foreign commerce, in the exchange of commodities among nations. The intercourse between modern Christian nations is now more intimate and exchange more rapid than it was between provinces of the same country two hundred years ago. The annual trade between the United States and Great Britain is now greater in bulk and value than the aggregate annual trade between all the nations of Europe two hundred years ago. The same reasons for adopting an international standard of value now exist, as induced the American colonies less than one hundred years ago to abandon their diversified standards of value, and adopt as a common unit the American dollar. Every advance toward a free exchange of commodities is an advance in civilization; every obstruction to a free exchange is born of the same narrow despotic spirit which planted castles upon the Rhine to plunder peaceful commerce. Every obstruction to commerce is a tax upon consumption; every facility to a free exchange cheapens commodities, increases trade and production, and promotes civilization. Nothing is worse than sectionalism within a nation, and nothing is better for the peace of nations than unrestricted freedom of intercourse and commerce with each other. No single measure will tend in this direction more than the adoption of a fixed international standard of value, by which all products may be measured, and in conformity with which the coin of a country may go with its flag into every sea, and buy the products of every nation, without being disconcerted by the money changes.

This has been the wish of American statesmen since the revolu-

tionary war. The Spanish milled dollar was adopted as the basis of our coinage before the Constitution was framed, and with the hope, expressed by Mr. Jefferson, that it would lead to an international unit. Mr. Hamilton and Mr. Gallatin each desired the same result, but the French war postponed all efforts in that direction. Mr. John Q. Adams, in his remarkable report to Congress of February 22, 1821, upon the kindred but more comprehensive subject, "the uniformity of weights and measures," says:

This system approaches to the ideal perfection of *uniformity* applied to weights and measures, and, whether destined to succeed or doomed to fail, will shed unfading glory upon the age in which it was conceived and upon the nation by which its execution was attempted and has been in part achieved.

If man upon earth be an improvable being; if that universal peace, which was the object of a Saviour's mission, which is the desire of the philosopher, the longing of the philanthropist, the trembling hope of the Christian, is a blessing to which the futurity of mortal man has a claim of more than mortal promise; if the spirit of evil is, before the final consummation of things, to be cast down from his dominion over men and bound in the chains of a thousand years, the foretaste here of man's eternal felicity, then this system of common instruments to accomplish all the changes of social and friendly commerce will furnish the links of sympathy between the inhabitants of the most distant regions; the metre will surround the globe in use as well as in multiplied extension, and one language of weights and measures will be spoken from the equator to the poles.

Several efforts have been made by negotiation to secure uniformity of coinage, especially with Great Britain.

In 1857, in compliance with an act of Congress, passed upon the report of the Committee on Finance of the Senate, Prof. Alexander was sent as a special commissioner to that country to secure a unity of coinage between the two countries; but, after various conferences, the mission failed from an indisposition of the English Government to modify their pound, shilling, and penny.

In his report of December, 1862, Mr. Secretary Chase invited the attention of Congress to the importance of uniform weights, measures, and coins, and recommended that the half-eagle of the United States be made equal to the gold sovereign of Great Britain in weight and fineness.

The Berlin International Statistical Congress, held in 1863, composed of representatives of fourteen countries, and at which the United States was ably represented by Mr. Ruggles, agreed to the following resolutions:

1st. That the Congress recommends that the existing units of money be reduced to a small number; that each unit should be, as far as possible, decimally subdivided; that the coins in use should all be expressed in weights of the metric system, and should all be of the same degree of fineness, namely, nine tenths fine and one tenth alloy.

2d. That the different governments be invited to send to a *special congress* delegates, authorized to consider and report what should be the relative weights, in the metrical system, of the gold and silver coins, and to arrange the details by which the monetary system of different countries may be fixed according to the terms of the preceding propositions.

This led to the recent Paris Conference, and to the adoption by Congress, in 1866, of several measures for the use of the metric system of weights and measures. At the Paris Conference nineteen nations

were represented, comprising a population of 320,000,000 European and American and 190,000,000 Asiatic.

The Conference agreed with great unanimity upon the plan hereafter stated, and the delegates from the United States were active and influential in harmonizing conflicting views and in securing the result arrived at. Upon the first part of their inquiry, your Committee therefore conclude that the object proposed is of the highest importance, constantly sought for at every period of the government, and that the United States is fully committed to its support if the plan proposed is practicable and just.

Aside from the general advantages which we will share with the civilized world in attaining a uniform coinage, there are special reasons why the United States should *now* adopt the system.

1. The United States is the great gold-producing country of the world, now producing more than all other nations combined, and with a capacity for future production almost without limit. (See reports of Mr. Ruggles and J. Ross Browne.) Gold with us is like cotton—a raw product. Its production here affects and regulates its value throughout the world. Every obstruction to its free use—such as the necessity of its recoinage when passing from nation to nation—diminishes its value, and that loss falls upon the United States, the country of production.

2. The United States is a new nation, and therefore a debtor nation. By placing ourselves in harmony with the money units of creditor nations, we promote the easy borrowing of money and payment of debts without the loss of recoinage or exchange, always paid by the debtor. This is necessarily so where the debt is payable abroad; and, if payable here, the creditor discounts the exchange and difference in coinage in advance.

3. The technical rate of exchange between the United States and Great Britain, growing out of the different nominal values of coin, is a standing reproach which can be got rid of only by unifying the coinage of the two countries, when both the real and technical rate of exchange will be at par, with only such slight variations as will indicate the course of trade.

4. Gold is now demonetized as a currency, and the great bulk of it in the United States is now held in the Treasury, so that it is not possible to select a time when this great international change of coinage could affect the interests of our people less. From inquiries made of the officers of the mint we find that the cost of reminting the present coin would be less than one twentieth of one per centum. The fineness of the proposed coin being the same as the old, there will be no assay, and the cost of the change would not be perceptible to the holder of the coin, and scarcely so to the Government.

*Second.* The second inquiry of your Committee was whether the plan proposed by the Paris Conference was the best mode to accomplish the end desired.

It proposed :

1. A single standard, exclusively of gold.
2. Coins of equal weight and diameter.

3. Of equal quality or fineness—nine tenths fine.
4. The weight of the present five-franc gold piece to be the unit.
5. The coins of each nation to bear the names and emblems preferred by each, but to be legal tenders, public and private, in all.

The single standard of gold is an American idea, yielded reluctantly by France and other countries, where silver is the chief standard of value. The impossible attempt to maintain two standards of value has given rise to nearly all the debasement of coinage of the last two centuries. The relative market value of silver and gold varied like other commodities, and this led first to the demonetization of the more valuable metal, and second to the debasement or diminution of the quantity of that metal in a given coin. In a short time the cheaper metal would by a diminished supply become the dearer metal, and then it would be debased and cheapened in the same way. This process repeatedly occurred in Europe, and has twice occurred in the United States within the life of the present generation. By the act of June 28, 1834, our gold coin was reduced from 270 grains of standard gold to 258 grains, or 4·4 per centum, in order to make it correspond with the market value of silver. In consequence of the discovery of gold in California that metal was cheapened, and silver became relatively more valuable and was hoarded or exported. To avoid this, the weight of our silver coin was reduced by the act of January 21, 1853, from 206 grains of standard silver to 192 grains, or 6·7 per centum.

This subject early excited the attention of financiers. Mr. Gorham, in his report of May 4, 1830, as Secretary of the Treasury, forcibly says :

Amidst all the embarrassments which have surrounded this subject since the adoption of metallic standards of property, it is remarkable that governments have so tenaciously persevered in the effort to maintain standards of different materials, whose relation it is so difficult to ascertain at any one time, and is so constantly changing; and more especially when a simple and certain remedy is within the reach of all. This remedy is to be found in the establishment of one standard measure of property only. The evil of having two or more standards arises, as already observed, from the impossibility of so fixing their relative values by law that one or the other may not, at times, become of more value in market than estimated by regulation; and, when this happens, it will be bought and sold according to its market value, regardless of the law.

The proposition that there can be but one standard in fact is self-evident. The option of governments charged with this duty is therefore between having property measured sometimes by gold and sometimes by silver, and selecting that metal which is best adapted to the purpose for the only standard. Why the latter course has not been universally adopted it is not easy to explain, unless it may be attributed to that prevalent delusion which seeks to secure the possession of gold and silver by restraining their exportation, and avoiding the payment of debts rather than improving the public economy by giving every facility to it.

The opportunity is now offered to the United States to secure a common international standard in the metal most valuable of all others, best adapted for coinage, mainly the product of our own country, and in conformity with a policy constantly urged by our statesmen, and now agreed to by the oldest and wealthiest nations of the world. Surely we should not hesitate for trifling considerations to secure so important an object.

The equal weight and diameter of coins will guard against adulter-



ation and counterfeiting, and will familiarize our people with the metric system of weights and measures. This system is already used in some of our coins, and is permitted by our laws, and will by gradual means become adopted as the only international system. The provision made that each nation shall retain its own emblems will not impair the ready currency of coin, but will induce care in coinage.

All the provisions of the plan proposed are in harmony with the American system of coinage. They are either already adopted or may be without inconvenience. The only point upon which a diversity of opinion may arise is as to the unit of value, and here the chief difficulty was not as to what particular quantity of gold was the best unit, but upon what quantity all the nations represented could agree. The unit recommended is the existing five-franc gold piece, 620 of which weigh a kilogramme.

For the reasons that induced the adoption of this unit of value, reference is made by your Committee to the report of Mr. Ruggles. They may be summed up as follows :

1. The coin proposed is the smallest gold coin in use, and therefore the most convenient unit of value.

2. It approximates more nearly to the existing coinage of the great commercial nations than any other proposed. The dollar reduced three and a half cents at the mint becomes the unit of value, and its decimal divisions and multiples enable us to retain all our well-known coins, both of gold and silver.

A very slight reduction of the English sovereign makes it conform to the multiple of the dollar and franc, so that five francs are a dollar, and five dollars are a sovereign, or a half-eagle. The same unit is easily adapted to existing coinage of other nations.

3. The franc is already in use by 72,000,000 of the most industrious and thrifty people of Europe—France, Belgium, Italy, Switzerland, and Holland.

4. The actual gold coinage in francs from 1793 to 1866 was \$1,312,220,814, while the gold coinage in dollars during the same period was \$845,536,591, and in sovereigns was \$935,341,450; thus showing that in France alone the existing gold coinage on the proposed standard is greater than upon any other that could be adopted.

It must be remembered that the great body of our coin and bullion has been exported, and is now in foreign coin; that a large part of the remainder is held in the treasury; and that less gold is in actual circulation in the United States than in any other great commercial nation. It is unreasonable, in view of these facts, for the United States to demand that our dollar, composed of 1,671.50 milligrammes of gold, should be the standard of value. As the nation most interested in international coinage, we should be ready to yield something to secure that object. By the plan proposed we yield nothing except the very small reduction of the weight of our standard, and without any other change in our coins, multiples, divisions, devices, or alloy.

5. France, whose standard is adopted, makes a new coin similar to our half-eagle. She yielded to our demand for the sole standard of gold, and during the whole conference evinced the most earnest wish

to secure the coöperation of the United States in the great object of unification of coinage. Her metric system is by far the best yet devised, and is in general harmony with our own; while Great Britain has refused even to negotiate with us for unity of coinage, and maintains the most complex system of weights, measures, and coinage now in use among Christian nations. The decimal system, the basis of all our computations, she rejects, and adheres to the complex division of pounds, shillings, and pence, which we rejected with colonial dependence.

These reasons induce your Committee to earnestly urge the adoption by the United States of the general plan of the Paris conference.

*Third.*—What legislation is necessary on the part of the United States to adapt our coinage to the plan proposed?

On this point your Committee have consulted the Secretary of the Treasury and the Director of the Mint. The bill herewith reported is the result of this conference, and is all that is needed to secure the object proposed. The provisions in regard to silver coinage are urged by the Director of the Mint to secure harmony between the present market value of gold and silver; but this coinage can be regulated hereafter by the varying values of the two metals, and without disturbing the sole legal standard of value for large sums. The general provisions of existing law relating to coinage are preserved.

*Fourth.*—What provisions, if any, should be made for existing contracts? Shall they be discharged in the money made a legal tender at the date of the contracts, or in the money provided for by this bill?

In determining this question, a distinction must be made between public and private debts. All private contracts are made in view of the power of Congress to regulate the value of coins. This power has been repeatedly exercised by Congress, and in no case was any provision made for enforcing existing contracts in the old rather than the new standard. All property and contracts may be affected by legislation, but it is not presumed that in the exercise of its legislative power Congress will be controlled by either the debtor or creditor, but only by the general good. To continue a distinction between the old and the new coin in the payment of private debts would result in great inconvenience, while making the new coin a legal tender for all debts after a reasonable time would enable our citizens to conform the great body of their contracts to the new standard. Such has been the practice not only in the United States but in other countries, where from time to time the standard of coin has been changed. Such was the principle adopted in the passage of the present legal-tender act, which if made applicable only to future contracts would have bankrupted a large portion of the active business men of the country, whose business compelled them to contract debts.

It must be remembered that all private debts are now on the basis of legal-tender notes, of far less intrinsic value than the proposed coin. The depreciation of legal tenders had the effect to diminish the value of all debts and the property of all creditors to the extent of the depreciation, and was only justifiable by the highest considerations of national safety. The resulting process of returning to a specie basis

will be far more severe on the debtor class. The lessening of the burden of debt is a loss to a class generally benefited by the increased value of fixed property, and better able to bear the diminution of their capital; but an increase of the burden of the debt to the debtor class, by requiring payment in coin instead of in depreciated paper money, often produces absolute ruin without fault in the debtor. All contracts are now on the legal-tender basis. Every private creditor would now take the new coin, and would be largely benefited by the changed medium of payment. The small relief of the debtor by the slightly diminished standard of coin will tend to that degree to lessen the unavoidable hardship to him of a return to specie payment. This relief would be especially just on the payment of long bonds issued by railroads and other corporations during or since the war, which were almost uniformly sold for depreciated paper money. Your Committee therefore conclude that, as to all private debts or contracts, the only provision necessary in this bill is to postpone the operation of its legal-tender clause for a reasonable time after the passage of the act.

Does not a different principle prevail as to public debts? As to public debts, the contract of loan is the only law that ought to affect the creditor until his debt is fully discharged. Congress, as the authorized agent of the American people, is one party to the contract, and it may no more vary the contract by subsequent acts than any other debtor may vary his contract. As to the public creditor, no legislative power stands between him and the exact performance of his contract. Public faith holds the scales between him and the United States, and the penalties for a breach of this faith are far more severe and disastrous to the nation than courts, constables, and sheriffs can be to the private debtor. These penalties are national dishonor and inability to borrow money in case of war or public distress, and the ultimate result is the sure and speedy decline of national power and prestige. When changes in our coin were made in 1834 and 1853, the United States had no public debt of any significance, and the precedents then made do not apply to the present time. Now the public debt is so large that a change of three and one half per cent. in the value of our coin is a reduction of the public debt of \$90,000,000. So much of this debt as exists in the form of legal-tender notes will be received and disbursed as money; and, as its value for some time will be less than that of the new coin, no provision need be made for it; but of so much of the debt as is payable, principal or interest, in coin of a specific weight and value, provision ought to be made for the exact discharge in that coin or its equivalent in the new. Your Committee, therefore, propose an amendment to that effect.

Your Committee have been led to inquire whether, if the United States adopt the plan of the Paris Conference, it will be adopted by other nations so as to accomplish the object proposed of an international currency, of universal circulation throughout the civilized world. Upon this point we have the most satisfactory assurances. Since the Paris Conference it has been adopted by Austria, and will in all human probability be adopted by the North German Confederation. A strong party in Great Britain, including many of her ablest

statesmen and the great body of her commercial classes, has urged the adoption of the plan, even in advance of the United States; and they concur in the opinion that, if adopted by the United States, Great Britain will be induced by her interests to modify her sovereign to the international standard. We have the highest authority for saying that Canada stands ready to adopt the plan the moment it is adopted by the United States. Different representatives of the South American States say those States will readily adopt it. So that upon Congress now rests the fate of a measure that, according to the opinion of eminent American statesmen, will shed unfading glory upon the age of its adoption, that will give to international law an international coinage, and will lead to a vast extension of the objects of international law common to Christian and civilized nations, thus binding the whole family of man by the same ties that are uniting and consolidating neighboring states. Your Committee recommend the adoption of this measure with certain amendments, with the conviction that it will not only promote the local interests of the United States, but will subserve the general interests of all the nations who have already joined or may hereafter join in its adoption.

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## PUBLIC DEBT AND CURRENCY.

*IN THE SENATE OF THE UNITED STATES, JANUARY 27, 1869.*

The Senate having under consideration the bill in relation to the public debt and the currency, Mr. Sherman said :

MR. PRESIDENT : I suppose it is expected of me to state in general terms the reasons that influenced the Committee on Finance to report this measure, and also to state why other measures of a financial character referred to the Committee have not received its sanction.

And, in the first place, it is but right to recall the embarrassments of the Committee, not only from the intrinsic difficulties of the subjects referred to us, but from the great diversity of opinion that exists in all parts of the country as to the proper measures to be adopted. I appeal to no party to sustain this measure, yet we must all recognize the difficulty of harmonizing the great diversities of opinion that exist on financial measures, except by a partial surrender of individual opinion and something like a party support of any measure that may be agreed upon.

In order to consider this measure properly, we must have a clear perception of what is sought to be accomplished. The object we have in view is to appreciate our currency to the standard of gold as rapidly as the public interest will allow. Our present currency or "lawful money" consists of notes of the United States, and these are a legal tender in payment of all debts. Based upon them, and of equal value with them, is a subsidiary currency of notes of national banks, and these are redeemable in United States notes, and are receivable in pay-

ment of taxes. We have also a form of demand notes, convertible at the will of the holder into lawful money, called three per cent. certificates. We have also a fractional paper currency which is convertible into lawful money on demand. These four species of notes compose the paper currency of the country, and the amount of each is stated as follows :

United States notes.....	\$356,021,073
National-bank notes.....	299,806,565
Three per cent. certificates.....	55,865,000
Fractional currency.....	34,215,715
In all.....	<u>\$745,908,353</u>

All this currency is by law at par. By law it is either made the standard of value or may at pleasure be converted into the standard of value. It is the legal measure of all commodities and of all debts, except for duties on imported goods and interest of the public debt. But in truth and in fact it is not at par in the standard money of the world. One dollar of it has only the same purchasing power as seventy-four cents in gold. Gold, which is real money—not the representative of money, but money itself, of intrinsic value, recognized as such by every man in all civilized countries and in all ages of the world—gold is demonetized by the law, cannot be collected in the courts, and, like cotton or wheat, is treated as a commodity whose value is measured by what we call “lawful money.”

Now, it seems to me that the first step in our investigation should be to abandon the attempt to reason from a false standard. We must, to begin with, recognize the immutable law of currency; and that is, there is but one true standard, and that standard is gold. Since the earliest records of humanity gold and silver have been employed as the equivalent for effecting exchanges. From Solon to our day innumerable attempts have been made to substitute something else as money, but in spite of all gold and silver have maintained their exclusive dominion as the money of mankind. The gold in the shield of Achilles, the shekels that bought the field at Machpelah, the pieces of silver that were the price of the blood of our Saviour, will be current coin when the completed history of nations now rising into greatness shall be folded away among the records of time.

No nation can permanently adopt a standard of value that will not be controlled and regulated by the standard of gold. No degree of isolation, no expedient of legislation, can save any nation which maintains any intercourse with foreign nations from the operation of this supreme law. Like the tides of the ocean or the movements of the planets, it is beyond our jurisdiction. This higher law of the standard of values will sooner or later govern and regulate all prices, even of commodities that do not enter into foreign exchanges. It is utterly idle for a commercial people like the United States, with a foreign commerce of \$800,000,000 annually, with citizens trading in every port of the world, and receiving annually four hundred thousand immigrants, to attempt to escape from the operation of this primary law of trade. Different nations have tried various expedients to evade it, and have

always failed. For centuries gold and silver coins were clipped and alloyed, but it only took more of them to buy a certain commodity. In modern times paper money or credit has been substituted for real money. Laws compelled the people to take paper as money. As long as this money did not exceed the amount of real money in the country, it operated well. It promoted exchanges and gave great activity to enterprises, and its nominal value was the same as its real value. But when the paper money was increased or the gold exported, the paper money depreciated; it had less purchasing power, prices rose, and either the paper money became demonetized, was rejected and repudiated, or the false standard was advanced in value to the gold standard.

The most successful attempt to substitute paper money for real money took place in Great Britain in 1797. The Bank of England, then having in circulation \$55,000,000 of notes, was forbidden by an act of Parliament to pay its notes in coin, and they were in effect made a legal tender. By 1810 the amount of them was gradually increased to \$110,000,000. It was observed that, though gold was demonetized and its export prohibited, yet its market value had risen near twenty per cent., or from £46 14s. 6*d.* to £56 for a pound of gold. An eminent writer on political economy called attention to this fact as conclusive evidence of the depreciation of the paper currency. A committee of the House of Commons, of whom were several of the most eminent statesmen and financiers of England, gave the subject a careful examination, and the result was the famous "bullion report." A majority of this committee agreed that in spite of the act of Parliament gold was still the true standard of value, and, measured by this standard, the currency was depreciated by an excess of Bank of England notes. They say "that no safe, certain, and constantly adequate provision against an excess of paper currency, either occasional or permanent, can be formed, except in the convertibility of all such paper into specie."

Still driven by the pressure of war, the bank issued more notes, and their depreciation continued until the close of the war. The bank slowly entered upon the hard task of appreciating its notes to the gold standard.

During our brief national history we have made several efforts to substitute paper money for real money. Continental money was a revolutionary effort to coin paper into money. General Spinner has had occasion recently to inform some Rip Van Winkle, who wished continental money redeemed in lawful money, that provision had been made to redeem it at the rate of one dollar in coin for one hundred dollars continental money, but even this poor privilege expired in 1793.

During the war of 1812 the United States undertook to treat State-bank bills as lawful money. They soon became depreciated; and when the war was over, and it became necessary to appreciate them to the gold standard, notes, banks, and debtors were swept into general bankruptcy, and the people commenced again upon the solid basis of gold and silver coin.

So, during our civil war, both the United States and the rebels undertook to make paper not merely the representative of money, but real money. The paper money of the rebels followed the course

of continental money and French assignats. Ours, carefully limited in amount, supported by heavy taxes and by great resources, is still called lawful money; but, after all, its value is daily measured by the gold standard. It is only the substitute of money, to be paid at a future day, and is not real money.

Even silver, long the standard of value among civilized nations, is now demonetized in some of them from the impossibility of maintaining a double standard. It was found by experience that the market value of these two precious metals varied as the production of one or the other increased in amount, thus creating confusion and compelling alterations in the coinage. The result is that silver in Great Britain and the United States is a legal tender for but small amounts, while gold is the universal standard of value. Even the stamp fixed by a Government in the process of coining does not make it money or change its value. It only certifies to its weight and fineness as a matter of convenience and not as an addition of value. Indeed, the mechanical process of coining has frequently reduced the market value of the gold by making it necessary to recoin it when exported.

Let us, then, recognize as an axiom that nothing but coin is real money before we undertake to deal with our currency. Senators may think I consume too much time in dealing with an apparent truism; but it will be found that the denial of this truism, both in Congress and among the people, is the cause of most of the confusion in the public mind as to our currency. It affects our minds as it affected the Englishman in 1810. When told that the Bank of England note was depreciated, he said: "Is not this pound note worth twenty shillings, and you tell me it is only worth sixteen?" Or like the reasoning of the learned priests in the time of Galileo, who saw the sun moving around the four corners of the earth, and knew that Galileo was an impostor. So we reckon our paper money at par, and, having made a god with our own hands, compare all other gods by it. We must, then, abandon the false standard, set up again the true one, and compare our money, our productions, our wealth, and our resources by it, or we shall be led by false premises into the most erroneous conclusions.

And yet this does not impugn the wisdom of a paper currency founded upon the credit of a nation, or of its being made in times of great public danger a legal tender in payment of debts. Such paper money has exercised a powerful influence in ancient as well as modern history. It saved Rome in her fierce conflict with Hannibal. It enabled Great Britain to maintain her wars against Napoleon. Without paper money, and, as I believe, without making it a legal tender, we could not have mustered and maintained our immense armies during the recent war. Gold was banished by the war. The quantity was too small for the vast expenditure required. We had then no legal paper representative of value. The State-bank notes were wisely excluded from national circulation. We then cautiously issued our legal-tender notes, carefully limiting their amount, and only increasing the amount when we could not borrow them back at a reasonable rate of interest. We called them lawful money, and as a measure of the highest necessity compelled our citizens to receive them as such; but after

all they were only a forced substitute for money, the promise to pay money, and not real money. Though they were made the legal standard of value, their own value was daily fixed in gold in the open market in New York. We watched their depreciation during the dark days of the war, and tried to arrest it. We utterly failed. The effort was patriotic, but it was impossible. England did the same in her wars. She passed laws forbidding the purchase and sale or exportation of gold, but, like ours, her efforts were abortive. I am not ashamed to confess my part in all the efforts made during the war to maintain our paper money as the true standard of value, and I confess it was impossible. Every intelligent business man watched daily the gold barometer, which with unerring certainty fixed the value of our greenbacks, of our public credit and bonds, as it did the value of our cotton and corn.

A distinction between the standard of value and the actual agent of exchange must always be kept in view. One must be gold, and the other ought to be paper money convertible into gold. Such paper currency, with proper measures to meet panics or extreme drains of specie, is proven by all experience to be the best possible currency that has yet been devised by man. An unmixed coin currency cannot exist in a commercial country, for necessity will compel, merchants will devise, and the people will use some representative of money, whether it be bankers' bills of exchange, certificates of deposit, or bank or Government paper money. And one unbending, unrelaxing rule that compels payment in coin at all times, during panics, distress, or war, as well as in peace, will periodically produce disaster and bankruptcy. The requisites of a good currency are :

1. That it be a paper currency.
2. That it be amply secured either by the credit of a nation or by unquestioned collaterals.
3. That except in extreme cases of panic it be convertible into coin.
4. That provision be made for a suspension of the right to demand coin during such panics.

And the only legislative questions that can arise on these points are whether the paper money should be issued by the nation or by corporators, and what relief should be provided in case of a necessary suspension of specie payments. As to the first question, both England and the United States have settled upon a bank currency secured by the public credit. As to the second, they have tried various devices, as the raising of the rate of interest, a temporary suspension of payments, making the paper a legal tender; but all these expedients are merely temporary to bridge over a war, a panic, a period of starvation, or an unnatural adverse balance of trade. They are remedies in sickness, to be discarded the moment that health comes again. Whatever theorists may suggest, however sugar-coated the remedy may be, there is but one test of a healthy paper currency, and that is its convertibility into gold coin.

If, then, gold only is the true standard of money, why shall we not commence our financial measures by restoring it to its place as a legal standard of money? Why not allow our citizens to base their future



contracts on gold? Why not enforce these contracts in the courts as legal and valid? There are difficulties in applying a new standard to existing contracts made upon a different standard; but this difficulty does not apply to future contracts. We wish to restore specie payments, and yet we forbid all men from dealing in specie. Such contracts are put upon the same legal footing as gaming contracts. It would seem that, if we are at all sincere in wishing specie payments, we should not only allow specie contracts, but should encourage them.

Contracts to a vast amount are now from necessity made upon the gold basis. All our foreign commerce, exports and imports, amounting annually to over eight hundred million dollars, are based upon gold. The price of all public securities is fixed by the gold standard of London and Frankfort. The sale of all imported goods by the importer to the jobber is by the gold standard. The daily transactions in gold in New York often amount to \$100,000,000. On the Pacific slope gold is the only standard of value. We cannot alter this if we would. Why not recognize the fact, legalize these contracts, and conform our measures to the gradual adjustment of existing contracts, including paper money, to the standard of gold? And, sir, let us also recognize the general principle that it is wiser and more in accordance with the spirit of our Government to leave this adjustment to the voluntary contracts of the people, than to undertake it by arbitrary rules of law. If our people are left free, they can do this without injury to debtor or creditor, without confiscation of property, and without any change in its intrinsic value.

For these reasons the Committee on Finance regard the first section of this bill, which legalizes gold contracts, as an indispensable preliminary to any plan for appreciating our currency to gold. This section has twice received the sanction of the Senate, and its primary importance has generally been admitted in popular discussions.

The objections to this section are stated by the Senator from Indiana [Mr. Morton] as follows:

The means he suggests for returning to specie payments are twofold. The first is to legalize specific contracts to be executed in coin. I voted for a bill for that purpose last session without much consideration, and have since become satisfied it was an error. The unwary would be enticed into such contracts by the crafty, and those in straitened circumstances or under heavy pressure would be forced into them. No man can safely make a contract to be executed in coin while the currency is depreciated and the financial condition of the country is fluctuating. Such contracts, where not brought about by coercion and fraud, would be in the nature of gold gambling—the one party trusting that gold would be at a large premium when the contract was due, and the other that it would command little or none. It could hardly be distinguished from a contract for the delivery of gold at a future time.

This whole objection is based upon the theory that contracts cannot be safely left to the free assent of the parties thereto; that the parties cannot be trusted to make their own contracts, lest the creditor oppress the debtor. Sir, the time is not likely to come in our day when the crafty will not have the advantage of the unwary. If we were legislating to protect the unwary, we should not for a day permit the existence of inconvertible paper money. Mr. Webster said that, "of all the

contrivances for cheating the laboring classes of mankind, none has been more effectual than that which deludes them with paper money." The chief reason is that such paper money is so fluctuating that none but the intelligent and crafty can estimate its fluctuations, while the unwary assume that it is equivalent to gold. If we, then, legislate to protect the unwary, we should require all contracts to be on the gold basis; but experience shows that the true basis of contracts is the assent of the parties. We can leave the interest of parties to regulate equivalents, and we can protect a gold contract against usury and fraud much more easily than a contract payable in currency.

The Senator from Indiana proposes to add to the burden of existing contracts an annual interest equivalent to twelve per cent. by requiring gold payment in two and a half years. If the parties are left to adjust this matter by contract, they are not likely to adopt a more severe measure to the debtor than that. If it is unsafe to allow parties to make a contract in coin, how can they be allowed to make contracts in currency to be appreciated to coin in two and a half years? If coin contracts are brought about by coercion and fraud, the courts will not enforce them; and, if gold is required as a consideration for payment of a currency contract, it is usurious and will not be enforced. Practically, any law requiring a resumption of specie payments is a law adding to the amount of a currency debt the full depreciation of the currency, unless you either scale the debt or allow the parties to adjust the matter between themselves. The former proposition is indefensible, and the latter is the only way by which the creditor and debtor may by mutual agreement adjust a currency contract by equivalent coin. All contracts to pay money are contracts for the delivery of gold; and a contract in currency is only a contract to pay an indefinite amount of gold, depending upon the uncertain depreciation of the currency at the time of the payment. Why may not the parties fix for themselves the amount of gold to be paid, rather than leave it to be fixed by the bulls and bears? When contracts are authorized in gold, all the provisions of the municipal law which protect contracts from fraud, usury, or coercion, apply to them as well as to contracts in currency. And the reason why such contracts were ever forbidden was because public policy demanded for a time the suspension of specie payments; while now the very fact that we are providing for specie payments is conclusive in favor of the policy of specie contracts in the future.

Every such contract smooths the way to a general resumption. If they become general, gold now hoarded will be let loose. This will produce an expansion of the currency. When during specie payments we estimate the aggregate of currency, we add the amount of specie to the amount of convertible paper money. So, when specie payments are suspended, if specie can be made to perform some of the functions of currency, it adds so much to the volume of the currency; and, when specie contracts become general, the process of resumption is complete.

Again, while specie is the best standard of currency, it is not the most convenient for transportation, even from hand to hand. To obviate this, commercial paper, bills of exchange, drafts, and certificates of deposit have been devised for distant exchanges, and paper money con-

vertible into coin has been used for exchanges from hand to hand. When you authorize contracts in gold and make a demand for gold, you at once unlock for daily use the coin now hoarded in private hands. You can then provide the most important agency of modern times—a convertible paper currency, always equal in value to gold, its true representative, easy to guard, conceal, and transport. It is only by restoring gold contracts that you can safely avail yourself of all the multiplied uses of paper money. When this is done, gold now lying idle in the Treasury may be utilized, made to produce an interest by the issue of coin notes based upon it, and gradually to perform all the uses of money now performed by a depreciated currency. This is the basis of the fourth section of the bill, which utilizes the gold by the issue of gold notes based upon it, and their application to the purchase of bonds and the reduction of interest.

And the right to make contracts in gold may now safely and properly be extended to banks organized under the national banking system. Upon a deposit of bonds, banks may be authorized to issue gold notes equal to sixty-five per cent. of the value of United States bonds deposited to secure their circulation. Their payment will be in coin, but in all other respects they may be subject to the general provisions and limitations of the banking act. Many of the banks, especially in commercial cities, will gladly avail themselves of such a provision to withdraw their present circulation and substitute gold notes convertible on demand into coin. With such a provision and on such a basis the system may be free, and thus all the embarrassing questions about the inequality of the distribution of banking circulation will be avoided. A right conferred upon all, without limit as to amount and upon regulations applicable to all, would at once secure to the South and West new banking facilities, and would rapidly tend to substitute coin or its equivalent for legal-tender notes, and without the severe process of contraction. The objection made, that this would create two currencies of unequal values, applies as well to the present state of the currency, for we have now two currencies of unequal value—gold and legal tenders.

If we are sincere in wishing specie payments, we must not only increase the demand for coin, but we must encourage coin contracts, and authorize the issue of coin notes, both by the United States and by the banks, and thus without contraction dispense with the use of the inferior and depreciated currency.

The superior value of coin notes, their use in commercial cities, their convenience in the gold-producing States, will soon give them higher credit, and secure them in every part of the country. I am confident that under such a system the national banks will, if allowed, and before specie payments are resumed, substitute coin notes for their present circulation, and that, too, without diminishing the aggregate of circulation. Many of them have now reserves and profits enough to make the requisite deposit of additional bonds; and the gold certificates now issued from the Treasury might be used for their coin reserves without creating new demands for coin.

There is but one other consideration I wish to urge in favor of the

sections of this bill relating to gold contracts and gold notes, and that grows out of the doubt that rests upon the validity of the legal-tender act. We must not forget that currency contracts depend not upon the agreement of parties, but entirely upon the validity of that act. This has always been doubted, and is now contested before the Supreme Court. I remember very well the discussions in the Senate when this act passed. Its validity was then denied by Judge Collamer and other able jurists, and it was only maintained by myself and other Senators from the imperative necessity of supporting armies then in the field. This necessity has long since ceased. There can be no pretense that as to future contracts there is any necessity that the public credit should take the place of real money. The legal-tender act is only material as it affects existing contracts. Is it wise to continue a measure only justified by a grave public necessity when the necessity has passed? It may be that the Supreme Court will deny the validity of the legal-tender act, or limit its operation to existing contracts made since its passage. It may subject currency contracts to enforcement in coin. Is it not wiser to bridge over this uncertainty by authorizing the adjustment of this matter between the creditor and debtor?

Again, sir, the law as it now stands is productive of gross injustice. You require nearly one half of your taxes to be paid in gold, and yet you will not enforce a contract by which the merchant buys the gold for you. Cargoes of tea, coffee, and merchandise can only be bought in gold, and yet, if property is delivered upon a promise to pay gold, it cannot be enforced. Gross and palpable injustice may be done in a multitude of transactions necessarily based upon gold by appealing to the legal-tender act.

I conclude, then, this branch of the subject by the earnest opinion that it was a good policy three years ago, and it is good policy now, to allow all parties to stipulate the time, the amount, and the medium of payment, subject to the general laws relating to fraud, usury, and force. Free trade in domestic productions, liberty to contract and be contracted with, has never been restrained before. Let us restore these rights; and, having also provided a paper representative of the coin in the Treasury of the United States and a bank currency convertible into gold and founded upon the highest securities, let us now deal with the much more difficult question—the appreciation of the present currency to the standard of gold.

If this question affected alone the Government of the United States, we might resume specie payments very soon. By funding a portion of the United States notes, by requiring the banks to maintain their full reserves in legal tenders, by withdrawing the three per cent. certificates, and by the use of the gold in the Treasury, we could resume at once. This process might increase the bonded indebtedness of the United States \$100,000,000 and the interest \$5,000,000; but our revenues are ample in gold to pay the increased interest, and the actual saving in the current expense of the Government by the reduction of prices to the gold standard would be double and perhaps quadruple the increased interest. The body of our expenditure, the interest of the public debt, is now payable in gold; and its burden would not be in-

creased by specie payments, while the saving in expenditure and the probable saving by the funding of the debt at a lower interest would largely exceed any interest we would have to pay on notes withdrawn from circulation.

And, if the burden of resumption fell alone upon the national banks, the task would be an easy one. Their securities, deposited with the Treasurer of the United States, are now nearly equal in gold to the amount of their circulation. A call under the banking act of ten per cent. additional security could be easily met by the great body of them, and thus enable them to resume whenever the United States is prepared to do so. Their profits in the past have been large. Those not now strong enough to perform the great object of their organization, namely, to furnish a uniform currency convertible into gold, may well give way to other banks ready to take their places.

But redemption by the banks means redemption by all their debtors — by the merchants, manufacturers, and traders of the country. And we are therefore compelled to deal with this question, not as it affects the United States and the banks merely, but as it affects all the people of the United States. How will the appreciation of the currency affect their interests? A person entirely out of debt and possessed of productive property would not be affected by the change. His property would be of less nominal but of the same intrinsic value; its producing capacity would be undiminished, and it would buy the same food, clothing, and necessities of life.

If the currency is depreciated, it will take more of it to purchase an article; if it is appreciated, it will take less; but the appreciation or depreciation of the currency does not affect the value of other commodities relative to each other. This can only be affected by supply and demand, and ultimately by the cost of production.

So a man without property and not in debt, but who depends upon his labor for his support, is not in the end affected merely by an appreciation in the currency. His wages may be less, but what he receives of the appreciated currency has the same purchasing power as the higher wages received before. The change does affect him for a time, for land and labor are the last commodities to feel a change in the currency. The immediate effect of a depreciation in the currency is injurious to him, for his food and clothing rise in price more quickly than his labor; but appreciation of the currency is immediately beneficial to him, for the reason that his labor does not fall as quickly as food and clothing. The value of labor, however, may be disastrously affected by the mode of appreciation. If it is brought about by a sudden contraction, the result will be a suspension of work, of enterprises, and consequently a reduction in the price of labor.

Persons of fixed salaries and incomes are benefited by an appreciation of the currency to the full extent of the appreciation. Their incomes have increased purchasing power, and they are enabled to extend their purchases, supply new wants, and add to their capital. Depreciation of the currency produced the opposite effect during the war, carrying distress and poverty into many comfortable homes. It fell with severe effect upon preachers, widows, and old men, who saw the pur-

chasing power of their annuities melt away, and a condition of independence destroyed. They will, by an appreciation of the currency, be restored to their own again.

Merchants, dealers, traders, and bankers will be affected by an appreciation of the currency according to the proportion their debts and credits bear to each other. If they owe more than they can promptly collect on debts due to them, they must lose to the full extent of the appreciation. As a general rule, any appreciation of the currency is injurious to all these classes, for they are generally in debt; and even where enough is due them to pay with, yet the delay in payment or the failure of their debtors almost always embarrasses them. Commercial and banking usage compels promptness, so that a merchant or a banker, however prudent he may be, is often compelled to sacrifice his assets to meet a sudden appreciation of the currency.

But the distress caused by an appreciation of the currency falls mainly on the debtor; others suffer only by reason of his inability to pay. What does specie payment mean to a debtor? It means the payment of one hundred and thirty-five dollars where he has agreed to pay one hundred, or, which is the same thing, the payment of one hundred dollars where he has agreed to pay seventy-four. Where he has purchased property and paid for one fourth of it, it means the loss of the amount paid; it means the addition of one fourth to all currency debts in the United States. A measure to require a debtor now to pay his debt in gold or currency equivalent to gold requires him to pay one hundred and thirty-five bushels of wheat when he agreed to pay one hundred; and, if this appreciation is extended through a period of three years, it requires him to pay an interest of twelve per cent. in addition to the rate he has agreed to pay. When we consider the enormous indebtedness of a new country like ours, where capital is scarce, and where credit has been substituted for capital, it presents a difficulty that may well cause us to pause. We may see that the chasm must be crossed, but it will make us wary of our footsteps. Good faith and public policy demand that we appreciate our currency to gold; but in the process we must be careful that bankruptcy, distress, and want do not result. The debtors of this country include the active, enterprising, energetic men in all the various employments of life. It is a serious proposition to change their contracts so as in effect to require them to pay one third more than they agreed to pay. They have not paused in their business to study questions of political economy. They have based their operations upon this money, which has been declared to be lawful money. Its relative value may be changed, but a reasonable opportunity should be given them to change their contracts so as to adapt them to the new standards of value.

Before discussing the measure proposed by the Committee, which Senators may consider not specific or rapid enough, let us look to history for lights to guide us in a most difficult and dangerous passage.

The appreciation of the currency is a far more distressing operation than Senators may suppose. Our own and other nations have gone through it before, and always with the sorest distress. Sometimes they have repudiated the depreciated currency, to the utter de-

struction of credit and trade, and, from the necessity of the case, fallen back upon barter and gold. As I have already stated, such was the case with the continental money, with the French assignats, and with Confederate scrip. We have also to guide us several examples of the appreciation of a debased currency.

At the revolution of 1688 in England, the silver coin, then a legal tender, had become so depreciated by wear and by clipping as to be worth only seventy-five per cent. of the mint standard, and this was practically the only currency. As all prices and obligations of debt had become adjusted to the lowered value of the existing coin, it was proposed either to reduce the mint standard to the current standard, or to issue new shillings of full value. The latter proposition was advocated by Isaac Newton and John Locke, the two "foremost men of all the world," who contended that if the loss of recoinage was thrown upon the mint it would not affect individuals at all. This view was strongly opposed by practical merchants, but new shillings of full value were issued and exchanged for the old depreciated ones at par. As between the mint and the holder of the old shillings this was all right; but the effect was immediately disastrous upon all prices. It took one third more commodities to get the new shillings, but the same number of shillings as before was required to pay a debt. Merchants, traders, and debtors were ruined. The Bank of England, then in its infancy, only escaped failure by issuing its notes payable in installments. A rival bank was utterly wrecked. Small capitalists found themselves ruined, and laborers and artisans deprived of employment. Hence the unpopularity of William III. and the prevalence of general discontent during his reign.

A condition of currency similar to our own existed in Great Britain after the general peace of 1815. For eighteen years the notes of the Bank of England were practically a legal tender, and upon them, as upon our greenbacks, was based a currency issued by the country banks. Though the aggregate of all this paper circulation never amounted to \$250,000,000, yet at times it depreciated from twenty to thirty per cent. When the war was over measures were slowly adopted for its appreciation to the gold standard. These measures resulted in a reduction of the paper currency from \$231,000,000 in 1815 to \$152,000,000 in 1821. Commercial paper, discounted at the Bank of England, fell from \$75,000,000 in 1815 to \$13,000,000 in 1821. It is only necessary to appeal to the histories of the time to show the disastrous effect. The purchasing value of capital was increased fifty per cent. A thousand dollars in 1821 would buy more than eighteen hundred dollars in 1815. Small traders, debtors, and laborers were reduced to the sorest distress. The loss to them was far greater than the actual depreciation of the currency, for all confidence and trust were lost. The only compensation to Great Britain was the rapid fall in the rate of interest from the abundance of idle capital, which enabled her to reduce the interest of her public debt within a short period to three per cent.

If Senators wish other examples of the severe process of passing from a depreciated currency to a gold currency, or to a paper currency

convertible into gold, let them read the story of the times after the Revolution and the war of 1812, and after the revulsion of 1837, all of which were periods of transition from a depreciated paper currency to a convertible paper currency. Sir, it is not possible to take this voyage without sore distress. To every person except a capitalist out of debt, or to the salaried officer or annuitant, it is a period of loss, danger, prostration of trade, fall of wages, suspension of enterprise, bankruptcy, and disaster. To every railroad it is an addition of at least one third to the burden of its debt; and more than that, deduction from the value of its stock. To every bank it means the necessity of paying one hundred and fifty dollars for one hundred of its notes and deposits, except so far as the bank may transfer this to its debtors. It means the ruin of all dealers whose debts are twice their capital, though one third less than their property. It means the fall of all agricultural productions without any very great reduction of taxes. To attempt this task suddenly, by a surprise upon our people, by at once paralyzing their industry, by arresting them in the midst of lawful business and applying a new standard of value to their property, without any reduction of their debt or giving them an opportunity to compound with their creditors or distribute their loss, would be an act of folly without example in modern times.

It is sometimes said that we did this in the passage of the legal-tender act; that we inflicted the same loss on the creditor that we now deprecate for the debtor. This is not true. The effect of the legal-tender act was undoubtedly to depreciate our notes, but the process was very slow and gradual. For more than a year it scarcely operated as a depreciation, and during all that time the capital paid off by depreciated notes was invested in bonds, bank stocks, railroads, and manufacturing pursuits created by the war, which yielded as much in gold as the capital produced before the war. Capital lost nothing by the war even when paid in greenbacks, for the demands for capital during the war made ample amends for the loss by the depreciation in greenbacks. It is estimated that the interest-bearing capital of this country now is, upon the gold basis, more than double that of 1860. And, if it were true that appreciation now would only work the same injury to the debtor that depreciation did to the creditor, we should not be justified in inflicting in peace the injuries which were justified by war; and the creditor, who is usually the holder of property, is better able to bear the loss of a portion of the money due him than the debtor is to bear an addition to his burden. Our power over the creditor is unlimited; we may levy taxes upon him to any amount; but we have no power to vary a contract or add to the burden of an existing debt.

The question then remains, What mode of appreciation of the value of greenbacks will operate least injuriously to the varied business interests of our constituents? And upon this point your Committee, after the most careful consideration, have come to the conclusion that the only and best plan is to allow the legal-tender notes to be funded at the pleasure of the holder into interest-bearing bonds of the United States.

In designating the bond, we have selected that now familiar to the



people, the ten-forty bond. Its market value is now but slightly above that of the legal tenders, so that the process of appreciation of the notes will be slow, and their value will advance only with the improving credit of the country. This bond bears as low a rate of interest as we are likely to negotiate, but is of such intrinsic value that we may hope to see it at par with gold within a short period. It will enable us after ten years to take advantage of the money market to reduce the interest still further. Its credit is supported by a permanent appropriation from a fund sufficient without further act of Congress to pay off every dollar of the debt in twenty-five years.

Again, sir, this provision of the bill is right when tested by the moral sense. When for sufficient reasons we cannot pay the note in coin, we are bound to give to the holder our note with interest. Such from the beginning was the policy of the Government. When the notes were first issued under the act of February 25, 1862, they were convertible at will into bonds. We, with a questionable device, by the act of March 3, 1863, took away that right, and should now restore it. During the war a greenback would purchase an equal amount of bonds of any character offered in the market. It paid at par for the five-twenties, the ten-forties, and the seven-thirties. It is now less valuable than these bonds only because it is dishonored paper, which though due is not paid, and is valuable only as a forced currency, which we compel our citizens to take in payment of their debts, but refuse to take for our own bonds except at a discount. We give the bond the benefit of the improving credit of the country, but deny it to the note. The simplest and plainest rule of equity requires us, if we cannot pay the note, to give in exchange for it a bond bearing interest. And here, sir, a difficulty presents itself that forms the basis of all, or nearly all, the division in the Committee as to this measure. What shall be done with the United States notes received into the Treasury in the process of funding? One contends that they should be retired as they are received; another, that they should not be retired, but should be reissued; and still another wishes to limit the funding of greenbacks to a specific sum each month; and amendments are pending for these purposes. No doubt similar differences as to details will occur in the Senate. My own conviction is, that the notes and ten-forty bonds should be convertible and reconvertible within certain limits until both rise to the par of gold. Such a provision was reported at the last session, and is still approved by the Committee; but the opposition to it by those who widely differed from each other as to its effect, some insisting that it would produce contraction and others expansion, caused it to be defeated. The proposition in this bill to substitute coin notes for legal-tender notes, as the latter are retired by voluntary conversion into bonds, is an attempt of the Committee on Finance, in deference to the vote of the Senate at the last session, to guard against a too rapid contraction of the currency. I must, however, insist upon my conviction that the true way to guard against both undue expansion and contraction while specie payments are suspended is to allow the public creditor, whether note-holder or bond-holder, to exchange one for the other, without any limitation except that the aggregate of circulation should

not exceed the United States notes now outstanding; and this aggregate may be gradually reduced as specie payments are resumed. If the Senate agrees with this opinion, then some changes will have to be made in the fourth section. If, however, the Senate still opposes this mutuality of conversion, the substitution of coin notes should precede the cancellation of the greenbacks, or a reserve of legal tenders should be maintained by the Secretary of the Treasury, to be issued at his discretion.

Such, sir, are the general provisions of this bill. It seeks to substitute gradually, by the voluntary action of the people, coin contracts, coin notes, and convertible bank bills for currency contracts and irredeemable and inconvertible paper money. It seeks to secure to the public creditor the prompt payment of his interest in coin, and to the people the like payment in coin of the depreciated notes held by them. If the process is slow it is safe, and the danger of a more rapid process is great. Let no man deal with this question with the hasty impulse of first impressions. Let no man be confident of his own opinions until he has examined those of others. He will find that many have traveled this path before him; but no man yet has found an easy road to the resumption of specie payments.

It now remains for me very briefly to state why other propositions submitted to the Committee have not been approved. Your patience will not allow me to examine any of the multitude of suggestions that have been made in the public prints, though many of them are worthy of careful study. I will only allude to some propositions that have been referred to the Committee. The suggestion of the President to pay the interest for sixteen years if the creditor will surrender the principal has already been disposed of. The plan of the Secretary of the Treasury to contract the currency until we reach the specie basis has already been incidentally referred to. The proposition of the Senator from Massachusetts [Mr. Sumner], though not formally referred to the Committee, yet, having the sanction of his great name, was carefully considered, and so much of it as was approved was embodied in the bill reported; but its principal feature, the repeal of the legal-tender act after the 1st of July next, would be far too sudden in its effects, and, if I am correct in the views already expressed, disastrous to the great body of the active business men of the country.

The plan of the Senator from Indiana [Mr. Morton], supported by an able speech, was carefully considered by the Committee. It rests upon two leading ideas:

1. The accumulation of gold in the Treasury; and
2. The fixing a specific day for the resumption of specie payments.

Now, in most of his speech I heartily concur. All that he says of the necessity of resuming specie payments, of the effect of contraction, and the unjust discrimination that now exists between the note-holder and the bond-holder, meets my hearty approval. It is the remedy he suggests we have to deal with. Would not the effect of his measure be that the Government would hoard the gold and the people the greenbacks, and thus make the contraction he fears? What more profitable investment could any man make than to take this dollar, now

having a purchasing power of seventy-four cents in gold, and lock it in his safe with a certainty that in two years it must be worth one dollar in gold, an annual advance of seventeen and a half per cent. ? Would not every bank sharply contract its currency and hoard greenbacks as the best investment it could make ? What prudent man will dare build a house or factory, a railroad or barn, with the certain fact before him that the greenbacks he puts into his improvement will be worth thirty-five per cent. more in two years than the improvement ? Would he not hold his money for two years until his building would cost him one third less ? When the day of resumption comes every man, as the sailors say, will be close-reefed ; all enterprise will be suspended ; every bank will have contracted its currency to the lowest limit ; and the debtor, compelled to meet in coin a debt contracted in currency, will find the coin hoarded in the Treasury, no representative of coin in circulation, and his property shrunk not only to the extent of the appreciation of the currency, but still more by the artificial scarcity made by the hoarders of gold.

All the historical precedents show that fixing the day for resumption inevitably leads to a contraction of the currency by the banks, so that when the day comes the scarcity of currency shall prevent a demand for coin. This process of contraction both in England and the United States produced the sorest distress ; and this distress was only relieved in England by the Parliament requiring the loan of exchequer bills and the issues of new notes by the Bank of England. At the beginning of our Government the Continental bonds were a species of currency ; and as a part of the funding system of Alexander Hamilton, he provided for a new paper currency convertible into coin, to be issued by the Bank of the United States, without which he declared his funding system would be a failure. So, sir, after the war of 1812 the sore distress caused by the failure of the State banks was only relieved by a new paper currency issued by the second Bank of the United States, which Mr. Madison, yielding his constitutional objections, approved. We therefore think that the general objects sought for by the Senator from Indiana [Mr. Morton] can be better attained by legalizing specie contracts, by utilizing the coin in the Treasury, by the gradual substitution of coin, United States notes, and bank bills for the present currency, rather than by the accumulation of gold and the fixing of a day for resumption.

And now, sir, a multitude of collateral topics present themselves—questions affecting the construction of contracts and the public debt, questions of funding, of the reduction of the rate of interest, of taxation and protection, of banking and the distribution of bank circulation. All these have been considered, and no doubt will be presented to the Senate ; but we have not embraced them in this bill, for the manifest reason that by attempting too much we should be likely to defeat any measure tending to the resumption of specie payments.

This primary duty accomplished will solve many of these questions and prepare the way for other measures. I submit to Senators who favor this bill whether it is not wiser to leave to time, to the progress of events, and to the next Congress, to deal with other matters not vital

to this measure. It is only in this way that, with the confused and scattered opinions in the public mind, we can hope to accomplish anything. All these questions will be resolved wisely if we are content to follow the example set by Mr. Lincoln and by Congress during the war, to make haste slowly.

Sir, you and I and many of our associates have been here during all the great events of our civil war. We have seen Senators from their places openly proclaim in safety their intended infamy and perjury. We have seen our only army broken and demolished, filling the streets of this city, and the rebel flag floating within sight of the dome of the Capitol. We have seen a vast section of our country filled with armed men, bold, defiant, and confident, engaged in fierce war for the overthrow of our Government. We were deserted by nearly all the Governments of Christian Europe. We have seen four hundred thousand of our countrymen slain in battle or falling by disease. We have met defection and doubt at home, and suffered disaster again and again. But all this has passed away. The long-vacant seats are nearly all filled, and new States then in wilderness are now represented here. Our flag floats in undisputed authority over every part of our territory. All the questions of debate that have risen from time to time in this Senate chamber have been so decided that authority has been vindicated and liberty been made universal. We are soon to see the great hero of the war clothed with the executive authority of the nation, and bearing with him into his high office the hearty good will of nearly all the people of the United States. But one thing more is to be accomplished, and that is to place our public credit on a firm, enduring foundation, so that the world may say that this republic is not wanting either in valor or honor. We may then give way to those who are rapidly treading in our footsteps with a consciousness of having performed our full duty to our country.

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## THE PUBLIC CREDIT.

*IN THE SENATE, FEBRUARY 27, 1869.*

THE bill to strengthen the public credit being before the Senate, Mr. Sherman said :

I THOUGHT nothing in the world could tempt me at this late hour of the night to say a word upon this bill ; but the remarks made by the honorable Senator from Indiana are so extraordinary that I deem it my duty to reply, and if it were night or morning I would do it alike.

The Senator seems to attack with great violence the Committee on Finance ever since it had the misfortune to disagree with him in regard to his plan to promote the public credit and resume specie payments. Not being able to report in favor of his plan, we reported against it, and ever since that time everything that we do seems to meet his disfavor. He says the bill reported by us is dead. I dispute it. The bill is not only not dead, but it liveth and will be the law of the land ;

and you here in this bill will make one of its most important and fundamental provisions, the first section of that bill, the law of the land, and I have no doubt that every section of it will be hereafter made so. Now, in justice to the Committee on Finance, let me state what those sections are, because one of the organs of this body can not hear its measures thus arraigned and sit here quietly at any time, in the night or in the morning, without a reply. What are the measures of that bill? The first is that gold contracts shall be legalized. Here it is in this bill. The second is that \$140,000,000 shall be set aside to redeem the public debt, and that will be done unquestionably. Now, more than that is already set aside, but it is not applied because the law is not put in force. The third is to tie the fate of the greenbacks to the fate of the bonds. That is done here by the amendment proposed by the Committee on Finance, so as to put the bond and the note on precisely the same footing, both to be paid in gold, both to be treated alike; and I have no doubt whatever that at the next session of Congress the demand of the public as well as the sense of justice of Congress will compel us to authorize the holder of the greenback to receive his bond, dollar for dollar, for his paper money; there is no doubt of it. What else? The other section of the bill, the only material one, is a section which provides for free banking. The Senator himself professed to be in favor of it. He himself desired and voted to withdraw from all the Eastern States more than one half of their circulation with a view to place it in the South, and then to compensate the East by free banking. Those were the provisions of the bill from the Committee on Finance, and there was not one of them that I think the honorable Senator himself would not approve.

But now this bill came to us from the House of Representatives, and I will state very briefly what it is, for I know it is wrong for me to delay the action or vote of the Senate upon it. What is the first section of this bill? It is simply a solemn pledge of the United States that all the obligations of the United States, notes and bonds, shall be paid in gold and silver coin, except only those where the law expressly provides that they shall be paid in lawful money. But my honorable friend says, why the exception? The question shows that he has not examined this matter with his usual care, or he would not have asked it. Why, sir, there are some fifty or sixty million dollars of three per cent. certificates expressly payable in currency. But for this exception they would to-morrow be payable in coin on demand at the Treasury of the United States. There are also bonds issued to the railroads, expressly payable in currency. But for this exception they would be paid principal and interest in gold. The interest on those bonds is semi-annually paid in lawful money. It is necessary to except obligations expressly payable in currency. But we say that with regard to all other obligations, paper money and bonds, they shall be paid in gold and silver coin.

Now, sir, the first part of this section I should like to see the Senate strike out, because it makes the declaration clearer, stronger, and more emphatic than I wish. Why? I do not believe, and I never could reason myself into the belief, that the laws which authorized the issue

of these bonds made a discrimination against the lawful tender money of the United States. I do believe that by a fair and reasonable construction of those laws the bonds of the United States might be paid in lawful money issued within the limits and according to the terms of those laws. But do we propose to pay those bonds in lawful money? Certainly not. We have not the money to pay them. We dare not increase the taxes for this purpose, and so we must postpone the payment of the bonds. I repeat that under the condition of our finances it is impossible to pay any considerable sum of the principal of this public debt either in lawful money or in gold. Our people do not and will not ask us to levy more taxes upon them in order to avail themselves of the legal privilege or right which they have to pay in lawful money.

They desire to pay of the principal of this public debt not more than one per cent. per annum, a small amount, and to adopt a policy which will in the end pay the whole of it. But what shall we do in the mean time? Shall we suspend specie payment until we can pay the whole of this debt by taxes? Is the payment in specie to be postponed indefinitely? My friend from Indiana says only for two years, and then he would bring it about by hoarding gold and by hoarding greenbacks.

Do our Democratic friends propose to postpone the resumption of specie payments until this debt matures, until we can gather in a sufficient amount of taxes to pay off the principal of the debt in lawful money? No, sir. The honor of the country, the good faith of the nation, the interest of the laborer, of the rich and the poor, and of all classes, demand that we should resume specie payments as early as possible, and place all the obligations of the people of the United States upon the solid basis of gold and silver coin. We can not delay that primary duty; and therefore I look upon this first section as simply a declaration that we will now perform our primary duty of making our notes equal to coin, and I have no doubt that if that policy is pursued and adopted the bondholder will be glad to get the lawful money of the United States in payment of his bond. All that this first section does is to declare as a matter of public policy that the notes and the bonds shall alike be paid in gold; the bonds as they gradually mature, and the notes long before any of the bonds mature. Why, sir, none of these bonds mature until 1881, and we can not get the lawful money to redeem them even at the end of five years, when we have the right to redeem them, except by taxes. We can not draw in the lawful money of the United States except by taxation. We can not adopt the repudiating scheme of our Democratic fellow citizens of the United States of issuing broadcast in violation of law a large amount of legal tenders, and thus repudiating our debt. I never could see how honest men could propose that. Then, the only way we can get lawful money to pay this debt is by taxation, and our people will endure no more than now exists. They have no desire to assume the burden of paying the public debt at once. They are willing to see a portion of the payment postponed, but in the mean time we can not prolong this suspension of specie payments until we can avail ourselves of that privilege.

I say, then, that the primary duty of the United States is to resume specie payments as quickly as possible, and make the lawful money of the United States equivalent to gold. I look to see the bonds of the United States advancing step by step with the money of the United States until their par value in coin is reached. Sir, it gave me a thrill of pleasure when I saw that the bonds of the United States were worth eighty-nine cents in gold in the markets of London. I do not care who made money by the advance; God knows I did not. I had no interest in it directly or indirectly. I was glad to see our bonds appreciate in the market, and the holders get the benefit of that appreciation; and I trust that in three or four or six months, or a year, these bonds will reach par value in gold.

But it is said, how can you fund the public debt? We will do it just as England and just as every other country did that reduced the rate of interest. Whenever the bonds of the United States rise above par in gold, then we can place in the money market of the world a bond bearing a lower rate of interest. If our bonds this day had reached the par of gold we could put in the market without question or difficulty a bond bearing a lower rate of interest. Sir, I believe that if we would now wisely and persistently, firmly and boldly, march to the resumption of specie payments in such a way as not to distress our people, not by increasing taxes, but by steadily appreciating our public credit until the five per cent. bonds rise to par in gold, the whole of the six per cent. bonds could be paid off. There is now only about fifteen per cent. difference between the market value of the ten-forty bonds and gold. If we can wipe out that fifteen per cent. by an appreciation of the public credit, then funding will go on with rapid speed; the whole of the five-twenty bonds will be paid off.

Why, sir, when the bonds of England rose to one hundred and three per cent., then the rate of interest was reduced one per cent. by putting a bond at a lower rate of interest in the money market. That is the only way that you can carry out a process of funding. If we were able to levy upon our people a larger amount of taxes and apply fifty or one hundred million dollars to the payment of the principal of the debt, we could carry on the process of reducing the interest just so much the more rapidly, but we dare not extend our system of taxation for fear of losing the confidence of the people. The only other resort is to advance our public credit, to elevate our bonds from the slough of despond in which they were cast by the burden of the war, to elevate our public credit to where it was before the war, and then the burden of this interest will pass away, and we may hope to see our bonds bearing in the money market of the world, in the hands of the rich and the poor, the foreign and the native, all the credit that now clusters round the three per cent. consolidated debt of England. Then it may be that we will not satisfy ourselves by reducing the rate of interest to five but to four and a half or four per cent.; and probably within twenty or thirty years we may stand as Great Britain does, with our credit such that we can get par for our bonds at three and a half per cent. interest in gold.

But, sir, in the mean time we must not be diverted from the diffi-

culties that stand in our way. In my judgment the plan reported at this session by the Committee on Finance is the best, the most rapid, and the most effectual way to bring about this state of affairs. I am not discouraged by the reluctance of the Senate to assume it. I know that such propositions are always of slow growth. But I assure my honorable friend from Indiana that if he supposes that any section or line or word of that currency bill is dead, or even that it sleeps, he is very much mistaken. He will find it either in whole or in part meeting him at every stage of this progress until every word of it is ingrafted in the laws of the United States.

I know that my friend, for whom I have the utmost kindness and the greatest good feeling, did not intend any unkindness in the remarks he made; but when he attacks a committee of this body, and speaks of me as the chairman of that committee, and accuses us of being guilty of vacillation and mutations and changes in our reports and bills, as a matter of course he naturally excites a feeling which will not submit in quiet to such an imputation.

Sir, I myself came with slow reluctance to the declaration made in the first section of this bill. I declare now to you that my construction of the law under which these five-twenties and under which the greenbacks were issued still remains unchanged; but I do assert, as a question of public policy, that it is wise now for us to declare in the language of this bill that the bonds and greenbacks alike shall be paid in gold as rapidly as we can do so; that these greenbacks and these bonds may be linked together in every law that is passed; that every privilege that is given to the bond-holder shall be given to the holder of the greenback; that both together shall rise gradually to par in gold, when the bond-holder may be paid off by bonds bearing a lower rate of interest with a large saving to the people of the United States. I think this question has been fully considered, and I hope, therefore, that without any more debate on the subject to-night we may have a vote upon it.

The bill, after being amended, became the act of March 18, 1869.

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## NATIONAL BANKS.

*IN THE SENATE, MARCH 29, 1869.*

THE Senate having under consideration the bill supplementary to an act entitled "An act to provide a national currency secured by a pledge of United States bonds, and to provide for the circulation and redemption thereof," approved June 3, 1864, Mr. Sherman said:

If I can get the attention of the Senate, at the request of several Senators who have become members of the body since the subject was under debate at the last session I will state very briefly the purport of this bill. Although the Senators who listened to the debate at the last session will not need the information, still, as the bill contains several



important changes in the existing law, it is right that all should understand it.

The first section of the bill is a modification of the currency act so far as it relates to deposit banks. It requires in all cases deposit banks to give security in United States bonds equal to the amount of the deposits. Under the present law the security is fixed by the Secretary of the Treasury. This section fixes it by law; so that in no case shall the Government deposits in a national bank exceed the amount of security furnished.

The second section is intended to cure an evil that has sprung up mainly in the State of New York, where banks organized under the national banking system have given notice of their intention to wind up their affairs, and have thus relieved themselves from the restrictions and limitations of the national banking act, but have in fact not wound up their business, and have got the benefit of the circulation without any of the burdens imposed by the currency act. It is for the purpose of compelling banks that have given notice of their intention to wind up to do what they give their notice to do—to require them to redeem their notes, or in case of a failure to redeem their notes to authorize their bonds to be sold with a view of canceling an equal amount of United States notes. That is very plain.

The third section of the bill is to limit and greatly reduce the fees allowed by the courts to receivers of banks. In several cases that I cited at the last session the fees allowed to receivers and officers of banks by the district courts and circuit courts of the United States were very large indeed, much larger than they ought to have been, thus absorbing a portion of the money that belonged to the creditors of the bank. The third section limits the amount of fees to what we conceive to be a reasonable rate. These three sections I believe have always passed without objection.

The fourth section presents a very difficult problem. Under the existing distribution of bank circulation the Eastern States, where capital mainly accumulates, have a very large excess over their proportion of banking circulation. This was caused by the fact that State banks had been organized in those States, and by an amendment offered by the gentleman who now occupies the chair, in the summer of 1864, the existing State banks were allowed a preference in going into the national banking system. The result is that the distribution provided for by the national currency act was substantially defeated; and the State banks being very numerous in the older States they went into the national banking system, and thus absorbed the banking circulation, leaving none for the Western and Southern States when the rebellion was subdued. The result is, as will appear from the table which I have before me, and which Senators can find in the report of the Comptroller of the Currency at the last session of Congress, that the distribution of banking circulation is very largely disproportionate. In Massachusetts I believe it is some fifty-four dollars an inhabitant; in Rhode Island about sixty dollars an inhabitant; in Connecticut some forty or fifty dollars an inhabitant; while in some of the States it is less than one dollar, and in the State of Illinois, a very prosperous and thriving com-

munity, it is only three or four dollars. Consequently great complaint exists on account of the disproportion of circulation. As business revives in the South there is a necessity for establishing new banks, but the amount of \$300,000,000 having already been exhausted no national banks can be started in those States.

Various plans have been proposed and discussed from time to time to relieve this difficulty; and finally, the fourth section of the bill, as reported from the Committee on Finance at the last session, we thought was the most equitable to provide a general rule by which one half of the circulation should be distributed according to population, and the other half according to wealth and property, and to require that redistribution to be made gradually. This section confines the redistribution within one year to \$20,000,000 upon certain rules that are fixed by the section.

The next section authorizes the existing banks in any of the older States where they have an excess of banking circulation to remove themselves bodily with their capital and circulation to the Southern or Western States that have less than their proportion. There are many banks within my knowledge in New England and in New York, and perhaps some in Ohio, that will avail themselves of the privilege of this section to remove from their present location to the South and West, thus supplying to some extent the want that is complained of; while the \$20,000,000 withdrawn from circulation according to the mode provided by this bill will be withdrawn from those States having the largest excess of circulation in accordance to the rule prescribed here, and that also will be made up by banks to be established hereafter in the South and extreme West.

The section provides that the circulation is to be given up *pro rata*. Suppose for instance that after making the statement provided for by the fourth section it becomes necessary to withdraw from the banks in the State of Massachusetts ten per cent. of their circulation, it is done *pro rata* ten per cent. upon the circulation issued by the different banks.

My own impression is that this arrangement will give to the South and West all the banking circulation and capital they can absorb within one or two years; and I suppose that at the end of that time we shall probably establish a free banking system. I have no doubt that as soon as we resume specie payments a free banking system will be established, which will avoid all this controversy about distributing banking circulation.

There is only one further point to which I wish to call the attention of the Senate; and that is, to assure them that in my judgment and the judgment of the Committee on Finance it is not wise now to pass a more radical measure than this. At the last session a proposition to redistribute the entire banking circulation of the country was proposed here, and, without much debate, was almost carried. It seems to me a proposition of that kind would derange and tear up the business of this country to an extent that would be very injurious. We had better accomplish this redistribution by slow and gradual means. After we have resumed specie payments there will be no contest about it. If

the proposition should now be made to increase the amount of \$20,000,000 to \$30,000,000, or any higher sum, I should feel bound to oppose it.

My constituents, I may say, are entirely impartial in this matter. We neither lose nor gain by this bill. We have about our proportion, a little less than our proportion, and I do not wish for any more; and under this bill we shall lose nothing and gain nothing. I would not be willing to vote for a general redistribution of the banking circulation, which would disturb all the business of the New England and Middle States, merely to secure a nominal equality in the distribution of circulation. It is better, in my judgment, to take this measure, which will supply the South and West in a partial degree with banking circulation, depending on future legislation and upon the resumption of specie payments for a settlement of the question upon a more general basis.

Mr. Morrill having moved to amend the fourth section, so that it should read "banks having a capital exceeding \$100,000," Mr. Sherman said:

This amendment has been thought of and discussed before. It was offered in committee at the last session, but I am not sure whether it was offered in the Senate or not. It confines the withdrawal of the circulation to banks exceeding \$100,000 of capital. I can see no reason why a strong bank with \$200,000 capital should be discriminated against in favor of a small bank with \$50,000 capital. One object of the currency act was to discourage very small banks. Unless the Senate can see some good reason why the reduction should apply to a large bank and not to a small one the amendment ought not to prevail. It seems to me that if we are going to make this reduction it ought to be done by one uniform rule applicable to banks of all kinds, conditions, and degrees. The Committee on Finance considered various plans of making a discrimination between banks of large capital, and therefore large circulation, and banks of a small capital and small circulation. We found we could apply no such rule which would be just or equitable. If by this withdrawal you take from a bank having \$50,000 circulation only three or four thousand dollars it would be easier for that bank to withdraw that amount than for a bank with \$500,000 to withdraw \$50,000. There is no reason why the same rule should not apply to one as to the other. I prefer to see whatever rule is adopted applied equally to all banks without regard to their capital or their circulation.

The second amendment suggested by the Senator from Vermont proposes to introduce as an element into this computation the former State bank circulation in cities. The effect of that undoubtedly would be to withdraw more from the city of New York than would be done otherwise, because New York under the present system has largely increased its circulation. But such a rule as this is not of universal application, because in Illinois they had no State bank circulation when the national currency act went into effect. It so happened that in 1857 all their banks broke up and they had no State banks, and other States had none. Therefore the rule proposed would be a rule applicable only to the condition of things in New York City and other large cit-

ies. I do not see any object in changing or varying the rule, or referring to the state of the banking circulation before the national bank act took effect. It is better, in my judgment, to adopt a rule and apply it to all cases, all banks, and all sections alike. The Senator, no doubt, can give some reason why a bank with a small circulation, doing a small business in a country neighborhood, ought not to be affected by the rule, but after all, when you come to apply it, I can not see any weight in it.

I am asked by what right we take from the State of Massachusetts \$13,000,000 of its circulation. It is a fair question and I will give it a fair answer; but in order to do so it is necessary for me to refer to one or two well-established facts known to the public records of the country. I hold in my hand the last report of the Comptroller of the Currency, from which it appears that the amount of circulation of national banks in the State of Rhode Island, having between two and three hundred thousand inhabitants, is \$12,491,480, and the circulation in Massachusetts is almost the same in proportion to its population. There are in thirteen States of the Union about ten million people, and in those thirteen States the amount of circulation is \$5,851,000. The circulation of all the Western and Southern States combined, including Ohio, is less than the combined circulation of Massachusetts and Rhode Island. Why is this? Is it because the South and West have no need of banking capital, no occasion for banking facilities, no business, no enterprise, no industry, nothing to demand banking circulation? Not at all. It is simply because an iron rule of law, passed during the civil war, prevents the South and West from having that which these States enjoy. Now, the question is: Will you relax that rule; will you allow this standing evil, this standing complaint made in every household in the West and South, to remain without any attempt to correct it, or will you try to apply a remedy? How shall it be corrected? You may enlarge the limit of circulation. Would the Senator from Massachusetts vote for a proposition to enlarge the present limit of \$300,000,000 before the resumption of specie payments? Two or three years ago the Committee on Finance reported a proposition to add to the amount of circulation \$20,000,000. Simply to avoid the difficulty of withdrawing any portion of the then existing circulation it was thought better to remove this inequality, to some extent at least, by adding to the amount of circulation. After a long debate it passed the Senate, but was defeated in the House of Representatives, and so that measure failed.

What then? It is proposed to withdraw the greenbacks on which the people of the United States are paying no interest, and issue bank circulation in their stead before specie payments are resumed. We know that such a proposition, although very plausible on its face, can not be adopted. How can we withdraw \$50,000,000 of notes that are now outstanding? Have you a surplus revenue with which to pay them? Not at all. There is no pretense of that kind. Will you contract your currency now at a time when we have contracted it two or three hundred million dollars? or will you issue bonds and thus increase the permanent funded debt of the country in order to settle

this question of the distribution of circulation? What kind of bonds will you issue? What rate of interest will you pay? Will you tax the bonds?

The proposition of the Senator from Massachusetts brings into this debate all these difficult questions—questions that I pressed last winter upon the Senate time and time again, and utterly failed to secure attention because there was a disposition everywhere to delay the matter. The Senate did not want to consider and decide these questions; and yet it is now proposed to bring them all up and attach them as an amendment to this bill. Here is a proposition to withdraw greenbacks and issue more bonds without giving any authority to issue the bonds, without declaring the kind of bonds, without fixing any of the details that are necessary. Such a proposition is only one of those riders very commonly attempted to be put on a bill as a means of defeating it.

When you propose to reduce the volume of greenbacks and add to the burdens of interest of this country at this time, you do introduce a question that affects all of us alike, and I say that whenever we fund the greenbacks it must not be for the purpose of giving bank circulation; it must be for reducing our currency so as to get back to specie payments. The question of the reduction of the greenbacks is a question of public policy. This is simply a question of equality among the States, of a fair distribution of the banking circulation.

Is it right and fair to withdraw from Massachusetts, Connecticut, and Rhode Island a portion of their circulation? I say it is right. They are now, on account of the peculiar circumstance that surrounded them during the war, enjoying a legal privilege under an act of Congress that is denied to the Southern and the Western States. They have a circulation out of proportion to their population, out of proportion to their business and their resources—a circulation that is a source of profit not only to individuals but to States.

Now, my friend from Rhode Island and my friend from Massachusetts say that an increase of circulation is no advantage to the South; that if these banks were to move there they would do the South no good. If they would do them no great good they would contribute by taxation to help pay the expenses of the Southern States, and we know very well that local banks furnish great facilities for business to the districts where they are located. It would be impossible to locate any one of the New England banks in a Southern city without contributing largely to that city by the amount of business and the facilities therefor which it would afford, and also to the State in taxes as well as business facilities. But if it is of so little advantage to the South to have these banks, what is the objection to allowing them to go there? There can be none whatever.

It seems to me that it is right—to respond to the question put to me—it is fair, it is just to withdraw circulation from the States that have an excess; and I assure my friend from Massachusetts that if Ohio was in the same predicament, or if by any fair and just rule of withdrawing bank circulation a portion of it might be withdrawn from the State of Ohio, I would vote for the withdrawal with great pleasure, because it is not for the interest of any State in this republic to enjoy an

advantage in legal privileges over any other State. If its industry is superior, if its climate is better, if its soil is richer, those are the gifts of God; but no State has a right to enjoy a privilege by law which is not conferred upon another, and no State and no individual in a State has a right to enjoy any privilege conferred by law that is not fairly and equally shared by every other citizen and every other State. It is because the New England States in this distribution of banking currency have an advantage, that it is right, it is just, and it is proper to make a partial redistribution. I do not wish to disturb the business relations of those States. I think it would be wrong to do it, and I have frequently publicly and privately begged Senators not to make this withdrawal more than is absolutely necessary to secure some reasonable banking facilities in the South. I should dislike very much indeed to see the amount of withdrawal so large as to impair or derange the business of New England, because I know that our country is so inter-linked and bound together that everything that affects the interests of that section will affect the interests of the South. I would only propose this as a temporary measure to meet a temporary exigency until we can have the resumption of specie payments and can provide a free banking system.

But pending the present anomalous state of affairs we are bound at least to render reasonable facilities to the South by some kind of bank circulation. If it is proposed to go back to specie payments, they can not be reached in a day or a month or a year. I am as willing to adopt measures to that end as any Senator; and resumption of specie payments will settle all these questions; but meanwhile it is only fair and right that this accidental advantage in the distribution of the banking capital should be removed to a reasonable extent.

I ought to say that this act does not affect my constituents in the least. Although the State of Ohio has somewhat less than its fair proportion of banking circulation, I do not know of any application, certainly none that I would heed, from that State for more circulation. This bill will not either take from or add to its circulation. I therefore feel that in pressing this act of partial justice, even though it may be an inconvenience to our friends in the New England States, we are doing what is right and proper, and that we should not in doing it open up the question of the increase of the banking circulation in any way whatever. With my present convictions, I never will vote for the increase of the circulation of the national banks until we get back to specie payments, and then, in my judgment, the amount now outstanding is amply sufficient for all the purposes of this country. Before the war the whole bank circulation was only \$168,000,000; now it is \$300,000,000; and certainly I would vote for no proposition to increase in any form the paper money, either greenbacks or national-bank notes, until we get back to the standard of gold and silver coin.

A proposition to increase the national-bank notes and decrease the greenbacks, attached to this bill, will not meet the sanction of Congress, and will defeat the entire bill. The only effect of that proposition, should it become a law, would be to add to our national burdens the interest on \$50,000,000 of new bonds, merely to secure a more just

distribution of banking circulation; while if the bill as it stands is passed, the effect will be to give to the South and a few of the new States of the West in the next year an opportunity to get a little banking circulation, and to give to banks in the old States an opportunity to move themselves bodily to the South, and this will relieve a political and sectional complaint that is founded in substantial justice.

One or two observations have been made to which I wish briefly to reply. One is that this is a case of extreme hardship and violation of faith. In my judgment, according to the law the apportionment to these States of the large amount they have is in violation of law, and is a case of great hardship. What is the case? Allot to Massachusetts, Connecticut, and Rhode Island twice their proper proportion of this banking circulation, give that to them on account of their manufacturing business, and they still have \$59,573,837 more than their share under existing laws. We propose to take \$20,000,000 of that, and distribute it among those States that have not any. That is the whole proposition.

But it is said that they have the pledge of the public faith, that they acted in accordance with law, upon our invitation, and got this proportion of circulation, and now it is not fair for us to withdraw it. If that argument were true in point of fact it would have some weight in equity, not in law, because the law expressly provides that the act itself may be repealed, changed, or modified at the pleasure of Congress. If in pursuance of our policy persons had entered into this banking business and got more than their proportion of circulation, it would not be exactly fair to withdraw it. But, sir, this is in violation of law, and it is only necessary for me to recite certain well-known facts to show it.

By the original banking act, passed February 25, 1863, an apportionment of circulation was provided by which one half was to be divided according to population and the other half according to resources. Massachusetts, Connecticut, and Rhode Island—for those are the only three States affected—got their full proportion under that law, every dollar of it; and the State of New York also got its proportion. It was found that the limit of \$300,000,000 prevented some of the State banks from coming into the system, and in June, 1864, an act was passed to allow State banks, without regard to the limitation, to come into the system. Under the operation of that law, from June, 1864, to March, 1865, certain banks in the States of Massachusetts, Connecticut, Rhode Island, and New York came in, thus exceeding the proportion allotted to them by the law; but they had not very far exceeded the proportion up to March, 1865. They had in no case gone over thirty dollars an inhabitant, because the banks were slow.

I am asked how did it happen that the law was violated and there was so much of an excess. I will explain in a moment. On the 3d of March, 1865, Congress passed a law which, after making certain other provisions, reads as follows:

And that \$150,000,000 of the entire amount of circulating notes authorized to be issued shall be apportioned to associations in the States, in the District of Columbia, and in the Territories, according to representative population, and the remainder

shall be apportioned by the Secretary of the Treasury among associations formed in the several States, in the District of Columbia, and in the Territories, having due regard to the existing banking capital, resources, and business of such States, District, and Territories.

This section restored the old provision of apportionment and repealed the act of June, 1864, which authorized existing banks to go beyond the limit of \$300,000,000. It has never been changed, modified, or altered, except as I shall hereafter show.

Unfortunately, after this section had passed, as I supposed, into a law, although it was not finally approved until the 3d of March, 1865, an amendment was attached to an internal revenue bill which became law on the same day (March 3, 1865), in words as follows :

That any existing bank organized under the laws of any State, having a paid-up capital of not less than \$75,000, which shall apply before the 1st day of July next for authority to become a national bank, under the act entitled "An act to provide a national currency secured by a pledge of United States bonds, and to provide for the circulation and redemption thereof," approved June 3, 1864, and shall comply with all the requirements of said act, shall, if such bank be found by the Comptroller of the Currency to be in good standing and credit, receive such authority in preference to new associations applying for the same.

Now, one construction of this amendment would seem to be that if, in the State of Rhode Island, any portion of their share under existing law remained to be distributed, it should be given to an old bank rather than to a new bank. The amendment did not change the rule of apportionment. It said nothing about it except who was to get the allotment, and that the old banks should have the preference therein; and in the State of New York the thing actually existed; the old banks and the new banks were coming in, and this provision was intended to give the old banks the preference. But the Comptroller of the Currency, as I think in violation of law, construed the amendment as a repeal of the section first mentioned, and disregarding that section entirely allowed the old banks to come in.

Let me say that up to the close of the war there was no very great inequality of circulation. Up to that time the banks of Massachusetts had not come into this system to the extent that they afterward did; but availing themselves of this privilege after the war was over, when everybody saw that it was a great advantage to have national banking circulation, when the difficulties had passed away, adopting the construction of the Comptroller of the Currency, they rushed in and got this enormous aggregate of circulation. So that, upon what I conceive to be an erroneous construction of the law, they now claim to hold an unfair advantage of the rest of the people of the United States.

In the application of a general rule like this for withdrawing circulation, I have no doubt there will be some inconvenience, perhaps some injustice. I certainly do not desire to injure any banks or any citizen of those States. But now, when we are compelled to do what is right, is it not just that we should give some circulation to the States that have none, even if we have to withdraw that which is held, I think without law, in other States?

Mr. President, the question after all comes down to this—for I do



not think we ought to bring into this debate the subject of funding the debt—shall there be a redistribution of banking circulation?

We were very careful in touching this question not to do anything that was harsh or injurious. It would be only even-handed justice to withdraw from these States in excess under a general rule the whole \$60,000,000. I have not proposed and do not intend to propose such a thing, because a general interference with the business of the people of those States to the extent of enforcing a fair and equal rule would work injury to them and work injury to the whole country; but, in my judgment, the transfer of a reasonable amount of this circulation, while it may give local advantages to the Southern States, would not materially injure the business of these older States. At any rate, it is just and fair, and, as I said yesterday, if my own State were in excess I should still feel disposed to vote for the withdrawal.

All that there is in this bill, and all that is proposed by this bill, is to secure a partial redistribution of the banking circulation until we can adopt some permanent financial measure looking to free banking and specie payments. It is temporary in its character; and I must confess that the great objection I have to this measure is that it is temporary in its character. I would not press this bill now to secure this partial justice to the Southern States but for the fact that the bill reported from the Committee on Finance, or some bill of that kind looking toward specie payments and free banking, would not be adopted during the present session of Congress. The redistribution of \$20,000,000 of circulation will give temporary relief, will probably be all that can be absorbed in those States for the next year or so, and, in my judgment, will not do any considerable injury to the people of the States whose currency will be decreased.

I hope, without any further prolonged debate—and I beg pardon for occupying so much time now in replying to the observations that have been made this morning—that we may have a vote on this bill and get it out of the road.

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## THE CURRENCY.

*IN THE SENATE, JANUARY 24, 1870.*

THE regular order being the bill to provide a national currency of coin notes and to equalize the distribution of circulating notes, Mr. Sherman said:

MR. PRESIDENT: I do not propose in opening the debate on this bill to make any elaborate financial speech. What I desire to say will be addressed solely to the Senate, and bear entirely upon the points presented by this bill. The bill proposes to deal with two questions: first the equalization of the national currency, and second the establishment of banks to issue coin notes; and these two propositions are the only subjects on which I shall say anything. I shall speak as briefly as possible, and present the questions involved as clearly as I can, so as to

confine the debate, if possible, to these two questions. There are a great multitude of financial questions now agitating the public mind that are somewhat connected with these two. The enlargement of the discussion by introducing them would, I think, rather obscure the argument than make it plain.

The first two sections of this bill provide for a partial equalization of the bank circulation of the United States. The present circulation is distributed with such gross inequality as to be revolting to the sense of justice. Three States whose people are among the most enterprising and active of our countrymen, containing a population of 1,865,833, or one fifteenth of the population of the United States, have an aggregate circulation amounting to \$96,890,498. These States are Massachusetts, Rhode Island, and Connecticut. With a population of less than two millions, they have one third of the whole national circulation, so that one fifteenth of the population absorbs and monopolizes one third of the national circulation. The Southern States, with a population of about eleven millions, have scarcely any circulation, perhaps a few millions. I have here the tables in detail, but I can not give the aggregate. It is probably not one fourth as much as the State of Massachusetts alone. The Western States, all of them rapidly growing communities, with cities and towns and business springing up with amazing rapidity, some of them formed into States within a few years, have practically no circulation. The Pacific coast is practically excluded from our banking system, simply because there coin alone is used in circulation and our currency is sold at a discount.

Thus the present system, which ought to be a national one equally and fairly diffused through the United States, is confined in its beneficial effects to the Eastern and mainly to the New England States. This gross and palpable injustice has grown out of a violation of law by the Comptroller of the Currency and the Secretary of the Treasury. This fact I stated at the last session, and I wish now to call the attention of the Senate distinctly to the law under which this grossly unequal distribution was made. The first national bank act contained a provision for the distribution of the banking circulation. The act of February 25, 1863, contained this clause :

That the entire amount of circulating notes to be issued under this act shall not exceed \$300,000,000, \$150,000,000 of which sum shall be apportioned to associations in the States, in the District of Columbia, and in the Territories, according to representative population; and the remainder shall be apportioned by the Secretary of the Treasury among associations formed in the several States, in the District of Columbia, and in the Territories, having due regard to the existing banking capital, resources, and business of such States, District, and Territories.

Under this act each State would have been entitled to a little more than five dollars for each inhabitant, according to the census of 1860, out of the first \$150,000,000, and then the other \$150,000,000 should have been distributed according to business, capital, and resources. The Eastern States, being much wealthier than the Southern and Western, as a matter of course would have received much the larger portion of the last \$150,000,000; but under the other provisions of this act each State would have at least five dollars for each inhabitant. The revised

banking act of June 3, 1864, omitted this provision for a distribution, for the reason that the old State banks and new banks formed under the national banking system very slowly. The disposition was to encourage the old banks to form under the new banking system as rapidly as they could. Section forty-four of that revised act contained this provision:

That any bank incorporated by special law, or any banking institution organized under a general law of any State, may, by authority of this act, become a national association under its provisions, by the name prescribed in its organization certificate.

This gave to each existing bank, without regard to the rule of distribution, the right to organize under the national banking system. It was supposed that when this act took effect these banks would rapidly go into the new system, but that the amount of \$300,000,000 would still be amply sufficient to secure to each State its proper proportion. So matters went on. In the fall of 1864 the old banks were rapidly going into the new system. Then it was found necessary to reenact the old provision requiring a distribution. After a considerable debate in the Senate, in the session of 1864-'65, Congress by an amendment to the national banking act restored in the same words the old provision of the act of 1862. I will read it again. By the act approved March 3, 1865, it was provided:

And that \$150,000,000 of the entire amount of circulating notes authorized to be issued shall be apportioned to associations in the States, in the District of Columbia, and in the Territories, according to representative population, and the remainder shall be apportioned by the Secretary of the Treasury among associations formed in the respective States, in the District of Columbia, and in the Territories, having due regard to the existing banking capital, resources, and business of such State, District, and Territory.

According to the last report before that time there was only \$65,000,000 of circulation outstanding, so that this old provision or barrier against unequal distribution was restored to the law long before there was any large amount in circulation. The amount outstanding on the 1st of October, 1864, according to the official statement, which I have in my hand, was \$65,864,650.

When the war closed, and as the credit of the country revived, banks were rapidly organized under the national banking system. Then it was that this privilege, which for a long time had gone a-begging, was eagerly sought for by old and new banking associations; and as the capital of the country was accumulated mainly in the older States, immediately after the war was over there was a great rush to organize national banks there. The Comptroller of the Currency utterly disregarded the law that I have read, and authorized banks to be formed without any reference whatever to that rule of distribution. He did not even refer to such a law in his next report. Now he justifies himself by a provision of an act passed on the same day, the 3d of March, 1865, an amendment made to an internal revenue act, thrust into a place where it did not belong, and offered and adopted with scarcely any consideration, in the last hours of the session. It is a striking evidence of the effects of tacking legislation on appropriation

and other bills during the last hours of a session. Under that amendment the Comptroller sought to excuse or justify his disregard of the provision passed after debate on the same day. I will read that amendment. It was inserted on motion of the Senator from Rhode Island [Mr. Anthony], I think at midnight, or at a very late hour :

That any existing bank organized under the laws of any State, having a paid-up capital of not less than \$75,000, which shall apply before the 1st day of July next, shall have authority to become a national bank under the act entitled "An act to provide a national currency secured by a pledge of United States bonds, and to provide for the circulation and redemption thereof," approved June 3, 1864, and shall comply with all the requirements of said act, shall, if such bank be found by the Comptroller of the Currency to be in good standing and credit, receive such authority in preference to new associations applying for the same.

That is, it continued the old privilege in favor of the old banks up to the 1st of July then following. Now, it seems to me that an executive officer, in construing these two laws together, both being of the same date, would give effect to both. He would naturally say that the distribution would be made under the act of March 3, 1865, first read by me, and then that in availing themselves of that distribution the existing banks within the State might under the second act I read have the priority within the limits assigned to that State under the distribution. That was undoubtedly the true construction of the acts; but even this limited operation of the amendment of Mr. Anthony expires on the 1st of July, 1865; and yet on that day the whole amount of banking circulation was less than one hundred and fifty million dollars; and the other \$150,000,000 was issued in plain disregard of law, without any pretense of justification, and that has created all this difficulty.

I have in my hand the report of the Comptroller of the Currency, showing that on the 1st of October, 1865, three months after this privilege had exhausted itself, the whole amount of circulation then outstanding was \$190,847,055, leaving \$110,000,000 yet to be distributed; and yet this \$110,000,000 was issued to banks in the old States, not only in violation of the act of March 3, 1865, which I have read, but in violation of the act under pretense of which it was done. That act expired by its own limitation on the 1st of July preceding. I call attention to this matter simply to show that this whole difficulty grew out of a disregard of the law; that it was not the defect of the law, but a violation of the law.

Now, Mr. President, this unequal distribution creates an iron monopoly, which is the source of sectional complaint in this country, and which, as sure as fate, will overthrow this system of banking unless it is corrected in some way. You can not maintain in this country a system which is bound within limits beyond which it can not go; a system which is now regarded as a profitable privilege, the chief benefits of which have been absorbed by a single section of the country. When you add the fact that this unequal distribution was brought about by a plain and palpable violation of law, you have a case of injustice that will not be submitted to. It will be overthrown even if the whole system must be overthrown. From the very time this inequality was ascertained, at the very next session of Congress, bills were introduced

both in the Senate and in the House to provide for a redistribution of the currency. Complaints were made that the new States, where credit is needed, where money is needed, where more than anywhere else the convenience of banking is necessary, were utterly excluded; that they were allowed no banks, no means of borrowing; while the older States, where credit was less needed, where capital had been accumulated by ages of labor, had a superfluity of circulation. Then it was that in the West there arose a great cry for more currency. Every Western State demanded of its Representatives and Senators more currency, while the Eastern States, who had a surplus of it under the law and under the distribution, rather demanded contraction. Yet when the Western States called on the Eastern States to render a portion of this circulation, difficulties occurred. They then claimed that these banks had vested rights; that they had received the circulation in good faith, in accordance with law; that it would be wrong to take it away from them; that it would derange their business, call in debts and loans, and would be very embarrassing.

So strong was the necessity felt of equalizing this distribution that during the last Congress both Houses passed bills withdrawing from the New England States their excess of circulation and distributing it among the Western and Southern States; but the Senate and House differed as to the extent and manner of the redistribution. The House demanded a general revision and tearing up, you may say, of the old banking institutions in the Eastern States and the distribution of that circulation in the West. The House bill was so general in its character that I felt the force of the argument of the Senators who opposed it, that it would derange business so as to do more harm to the interests of the whole country than good to the Western States. In the Senate we proposed to limit the redistribution to twenty, thirty, or forty million dollars, and to that extent we did provide for it; but the difference between the two Houses caused both propositions to fail, and now the circulation continues unequally distributed as before.

The question now is, what remedy ought to be provided? There are but two. The first is to carry out the plan, proposed at the last Congress, to recall from the banks in the Eastern States their excess of circulation and distribute it to the West and South, maintaining the limit of \$300,000,000 of national bank circulation. The objection to that has already been stated by me, and will no doubt be made by others if the debate should go so far, that it would derange business more in the East than it would help the West and South; that although the officers of the Government may have done wrong, yet, as these banks have a kind of vested right in the privilege granted to them for a certain length of time, it would be hard to take it away from them. That argument was felt here in the Senate, and I presume will now prevent anything like a general redistribution of the national banking circulation.

The only other way is to increase the limit of banking circulation. It is now limited to \$300,000,000. The Committee on Finance proposed to raise the limit to \$345,000,000 and allow this increase of \$45,000,000 to be distributed in the West and South. Here at once objec-

tion is made that this is an inflation of the currency. For one I must say that, with my views of what is best for the public interests, I can not support any measure, pending the present condition of affairs and the suspension of specie payments, that will increase the volume of paper currency in this country, until we get down to the solid basis of gold and silver coin. And yet at the same time I see the vital necessity of repairing this unequal distribution of banking circulation. We must do that or else be prepared to see the whole system of national banking overthrown and replaced by the old system of State banks.

The national banking system is infinitely preferable to any State banking system. I do not think any intelligent man who examines this question will hesitate on that point. The old State banks were governed by a diversity of laws; they were bound in a diversity of securities, and in many cases without any. The notes were as multifarious in form, color, and dies as the skill of bank-note-engravers could make them. Under the national system we have absolute security to the bill-holder. We have uniformity in the notes. There are but a few forms of notes, so that any plain man carrying on the ordinary business of life can tell whether a note is good or not. They are all printed with the greatest care by the Government. The Government is the guarantor. The Government holds in its hands absolute security for their redemption. They are a uniform currency, floating all over the United States, as good in one place as another; while under the State banking system the notes were good only within the limits of the State. The national banking system is much better, much more secure, but at the same time it can not be maintained as a sectional monopoly. This is the fatal weakness of the system, which if removed would leave us the best paper currency yet devised.

Now, Mr. President, in order to avoid any expansion of the currency there were two courses open to the Committee on Finance, and on this there was some difference of opinion. One was as the new bank notes were issued to withdraw the United States notes, or, as they are commonly called, the greenbacks. This proposition, even if it should receive the assent of the Senate, would probably not receive that of the House. The greenbacks are a great favorite of the people. They were the agency and means by which our country was carried through the war. They are a convenient form of currency. During the suspension of specie payments they are the best form of currency. Any contraction of the amount of greenbacks, except as a means of approaching specie payments, would be met by a strong popular opposition. Even if our reason should convince us that it is wiser and better to withdraw them, in order to give place to national-bank notes and gold and silver coin, the opinions of our constituents would prevent us from doing it.

This feeling is the great obstacle to specie payments. If we should attempt it, it will cause a contraction of the currency more severe and stringent than any we have yet felt. Heretofore any contraction that has gone on has been made good by some other form of circulation. We have already retired fifty or sixty million dollars of greenbacks, but during that process we issued over one hundred million dollars of

national-bank notes. If now the process of contraction should go on, if we should withdraw greenbacks merely to equalize the distribution of bank circulation, we should create a stringency in the money market and prevent the formation of new banks, leaving the present distribution a festering sore of sectional irritation. The payment of the greenbacks or the funding of them into bonds should be treated as a distinct measure of financial policy—as a measure of resumption, and not at all as a means of distributing bank circulation. But this is a subject that is scarcely worth discussing now, because in view of the general sentiment in all parts of our country a retirement now of greenbacks to give way to national-bank notes would not receive the approval of our constituents, and no financial measure ought to pass Congress unless it receives the assent of the substantial people of the country.

The only alternative, then, was the withdrawal of what are called the three per cent. certificates. These certificates are a demand loan by the United States, payable in greenbacks on demand or after ten days' notice. They draw three per cent. interest. They are held by the banks as a portion of their reserve in the place of greenbacks. They are, therefore, the most dangerous form of Government indebtedness, because we are liable to be called for the amount of them at a time when it is most inconvenient to pay them. We are liable to be called upon to pay them in the midst of a panic. As we approach specie payments we may be called upon to pay them in coin. They were issued only under the pressure of necessity. Senators around me will remember very well their history. The banks held a large amount of maturing compound-interest notes. Those were in the nature of currency, and were presented for payment as they became due. The Secretary of the Treasury had no means to pay them except by issuing a new form of certificates or more bonds. He did not desire to increase the bonded debt of the United States, and therefore called upon Congress to authorize him to issue these temporary loan certificates. The only reason why they were taken at all, bearing as they did so low a rate of interest as three per cent., was because we gave the banks who hold them the privilege of counting them as a part of their reserve. They may at any time by a contraction of the currency be forced out of the banks upon the Treasury for payment. This form of indebtedness ought to be paid off as rapidly as possible.

But the payment of these three per cent. certificates operates as a contraction of the currency. As they are paid off and retired their place must be supplied by the same amount of greenbacks in the vaults of the banks. They are in every essential particular except actual circulation among the people a currency precisely to the same extent as the United States notes. The very moment they are paid off their place must be supplied by United States notes. If they are presented for payment they must be paid in United States notes or coin. The bill therefore proposes to retire \$45,000,000 of three per cent. certificates, all that are now outstanding, as these new bank notes are issued.

Under the first and second sections of the bill, therefore, \$45,000,000 of circulating notes will be apportioned among the several States, in accordance with existing law, mainly to the people of the South, and

as the banks are organized from month to month the Secretary of the Treasury is required to pay off the three per cent. certificates.

Each Senator will be interested in the question how much his own State will get of this \$45,000,000, and Senators have inquired of me how it will be divided. There has been some criticism as to whether or not the terms of the bill were clear and specific enough to secure a distribution according to existing law; and I have, therefore, caused to be prepared by the Comptroller of the Currency a statement showing what States will receive this \$45,000,000. In answer to a communication of mine the Comptroller of the Currency says:

TREASURY DEPARTMENT,  
OFFICE OF COMPTROLLER OF THE CURRENCY,  
WASHINGTON, D. C., January 20, 1870.

SIR: I have the honor to acknowledge the receipt of your communication of the 17th instant, and to state in reply that my construction of the last clause of section one of a bill to provide a national currency of coin notes, and to equalize the distribution of circulating notes (S. No. 378), is that those States having less than their proportion according to population would be entitled to priority over other States in the supply of bank circulation.

I inclose herewith a statement showing the amount to which each of the Southern States would be entitled under the apportionment of the first \$150,000,000, the amount which has already been furnished to those States, and the amount necessary to bring those States upon an equality under such apportionment with the other States of the Union, from which you will observe that it will require \$25,289,570 to supply the *per capita* apportionment of those States, leaving something over nineteen million dollars to be apportioned according to business, banking capital, resources, etc., or to be retained until a new apportionment can be made under the census of 1870.

If it should seem proper to the committee to direct which of these courses should be pursued, I shall, of course, acquiesce in their judgment.

Very respectfully,

H. R. HULBURD, *Comptroller.*

HON. JOHN SHERMAN, *Chairman Finance Committee United States Senate.*

*Statement showing the amount of circulation to which each of the Southern States would be entitled under the apportionment of the first \$150,000,000, the amount which has already been furnished, and the amount necessary to bring these States upon an equality with the other States.*

STATES.	Amount entitled to under apportionment.	Amount received.	Amount necessary to equalize.
Virginia and West Virginia.....	\$6,032,457	\$4,129,600	\$1,902,857
Missouri.....	5,823,061	4,218,630	1,604,431
Kentucky.....	5,076,106	2,371,620	2,704,486
Tennessee.....	4,551,585	1,265,470	3,286,115
Louisiana.....	2,053,338	1,245,000	808,338
Mississippi.....	1,935,456	66,000	1,869,456
Georgia.....	3,247,395	1,234,000	2,013,395
North Carolina.....	3,610,149	383,400	3,226,749
South Carolina.....	1,644,205	218,000	1,426,205
Alabama.....	2,887,413	353,025	2,534,388
Texas.....	2,300,938	407,535	1,893,403
Arkansas.....	1,769,896	179,500	1,590,396
Florida.....	429,351		429,351
Total.....	\$41,361,350	\$16,071,780	\$25,289,570



It appears from the statement that the Southern States, in order to make up their share of the first \$150,000,000, will receive \$25,289,570. That will leave \$19,000,000 of this additional circulation to be distributed under the second clause of the apportionment; that is, to the States according to resources, banking circulation, etc., giving first to those now having the least circulation. This will give to the Western and Southern States, under the rule of apportionment provided by existing law, some nineteen million dollars. Precisely how much it will give to each State would be difficult to tell at present, without a careful examination and comparison of their resources, business capital, etc. At any rate, \$25,289,570 of this amount would first be distributed to those States having no circulation at all, or very little; and the remaining \$20,000,000 would be distributed to the Southern and Western States.

This is all I desire to say in regard to the first branch of the bill. The last three sections of the bill relate entirely to the coin notes. The committee were of the opinion that it was better in this bill to establish a simple general rule by which associations might organize under the banking system in any part of the country to issue coin notes without any limitation as to circulation. The objection may be made that advantage will not be taken of this privilege; but we are assured by the highest authorities that banks would at once be organized under this system in the States of California and Oregon, and in the cities of New York, Charleston, and New Orleans. No banks would be organized upon a coin basis with authority to issue coin notes unless coin or coin notes were in general circulation at the place of location of the banks. As a matter of course, where the ordinary circulation of the country is supplied by our national currency notes or greenbacks, gold notes would not have a ready circulation; but it is to be remembered that the whole Pacific coast is now using gold and silver coin, and is eager and anxious to avail itself of the benefit of banking upon a gold basis.

We have assurances that banks will be organized at once under this system on the Pacific coast, with a very large amount of circulation, thus unlocking, if you please, a portion of the gold that must necessarily be used now for the ordinary purposes of circulation. In the city of New York there is now going on a commerce of more than six hundred million dollars, all of which is conducted on the gold basis; and so great is the necessity for paper money to represent this gold business that those who transact it actually deposit \$50,000,000 of gold coin in the Treasury of the United States, and receive gold notes without interest, merely to facilitate the ordinary transaction of this great commercial business. I suppose the transactions between the first and second dealers in New York based upon gold notes, upon gold, and upon gold values, amount to more than one thousand million dollars per annum. The speculative transactions upon gold and gold notes have in some cases amounted to three or four hundred million dollars a day; but those are mere representative operations that we do not regard. The actual business transactions in gold now being carried on in the city of New York represent an aggregate annual business of not less than \$1,000,000,000. The whole foreign commerce in the city of

New York, exports and imports, is about six hundred million dollars; and allowing that merchandise exported and imported passes through two hands before its value is quoted in our paper currency, the amount of business transactions is probably more than one thousand million dollars.

So in the cities of Charleston and New Orleans, where cotton is measured by the gold standard, these coin notes can be very readily used, and they will there be a very convenient agency of exchange for marketing the great staple of cotton. These banks may be organized in these places, and to the extent that they are organized they will furnish to the people a safe currency based upon coin, payable in coin, and having all the qualities required by the best national currency.

I take it, without extending my argument on this point—for I did not intend to speak very long, but merely to present these outlines—that these coin notes when issued will present the four essential requisites of a good currency: first, the absolute protection of the note-holder by the United States; second, the agency of private corporations or banks to give flexibility to the currency, and to meet the ebb and flow of exchanges; third, its redemption in gold coin on demand; fourth, its freedom from monopoly or restrictions, except such as are necessary to protect the creditors of the banks.

These are the only points that are essential for the consideration of this bill. I might now mention a multitude of other topics that may be drawn into this discussion which are now being considered by the Committee on Finance. It seems to me this bill ought to be confined to these two distinct propositions. If you attempt, for instance, to regulate the character of the bonds that should be deposited as security for the coin notes or the circulating notes, you trespass upon another great domain, the funding system. Therefore we have provided for the organization of these banks upon existing bonds; and if any law should hereafter be enacted requiring banks now in operation to buy a new kind of bonds as the basis of their circulation, its provisions would apply to them.

So there are a multitude of other questions that might be drawn into this discussion. The question of a choice between greenbacks and bank notes might be drawn into it; but we have avoided any reference to it because I believe the judgment of the country is gradually settling down to the conviction that a note issued by a Government can not be a proper agency of circulation. Other nations as well as our own have often tried the experiment of maintaining a circulating note issued by the Government, and they have uniformly found it to fail. It is impossible to give a currency issued by a Government the flexibility necessary to meet the movement of the exchanges; and therefore experience has shown that a note issued by a Government, and maintained upon the guarantee of the Government alone, does not form a good circulating medium except during a suspension of specie payments. It must have a flexibility which will enable it to be increased in certain periods of the year, and to flow back again into the vaults of the banks at others. I am convinced, although it is unnecessary to discuss that point here, that in time it will be wise to retire our United States notes

and all forms of Government circulation and depend upon notes issued by private corporations, amply secured beyond peradventure, so that in no case can the note-holder lose, and to subject the banks to regulations applicable to all parts of the country, making them free, so that the business of banking will be like the business of manufacturing, blacksmithing, or any other ordinary occupation or business of life, governed only by general law.

I have thus, I trust, Mr. President, directed the attention of the Senate to the points involved in this bill. I will not prolong the discussion any further, but will endeavor to answer such questions and furnish such information as may be necessary to throw light on the bill. I only beg of Senators not to encumber this bill, on which we desire the action of the Senate, so that we may have it out of our way in order to reach the much more difficult questions involved in the funding bill and the various propositions that are now under consideration by the Committee on Finance.

Mr. Sumner moved to do away with the whole bill, and had his substitute read, when Mr. Sherman said:

I will state frankly to the Senate that the bill which is now pending—not the amendment that is offered, because that is a funding bill, which subject is now under the consideration of the Committee on Finance—is confined to two subjects. An increase of the banking currency to the extent of \$45,000,000, with authority to issue coin notes to certain States, for it can only be in certain States, is a preliminary measure, and the Committee on Finance are very anxious to have the Senate act upon it before they proceed to the consideration of other bills now pending. I hope the bill will not excite much debate. It plainly, to a certain extent at least, so far as it goes, tends to relieve a great inequality in the distribution of banking circulation. It does not go so far as some Senators desire, but certainly it goes in the right direction. It does not contract the currency, nor does it expand the currency, but leaves matters just as they are.

The amendment now offered by the Senator from Massachusetts introduces a great variety of topics. The very proposition that he offers as an amendment is before the Committee on Finance, and is being daily considered in connection with other measures of a similar character. It has no relation to the subject matter of the bill under consideration. The first section of his amendment, it is true, does relate to the subject matter, and it is in the same line. He proposes to increase the limit of banking circulation to \$500,000,000 upon a retirement of greenbacks. The committee have reported this bill to increase the volume of \$45,000,000 upon the retirement of the three per cent. certificates. If the Senator from Massachusetts is not content to take the action of the committee and await the report of the committee on his bill, which is now being fairly and fully considered, and desires to precipitate a general discussion upon the funding system, upon the substitution of bank notes for greenbacks, and upon the character of the bonds to be the basis of our banking system, as a matter of course this discussion will be very much prolonged. But I appeal to him, and I

appeal to all the Senators around me, whether it is not better to pass this bill in the form reported by the Committee on Finance, leaving all the other questions which must necessarily come up to be provided for in a bill to be hereafter reported, and soon to be reported, I trust, after it has been fully and maturely considered, when every Senator will have an opportunity to present his financial views *in extenso*.

The present bill does nothing in the world except to extend the limit of the present bank circulation \$45,000,000, for the benefit of the Southern States mostly and partly for the benefit of the Western States, without changing any existing provision of law, and in order to avoid the question of the expansion of the currency to retire \$45,000,000 of three per cent. certificates. It ought not to open any general discussion, and therefore I am very much surprised to hear a motion made to postpone this bill and take up any other. I trust we may have the action of the Senate on the pending proposition without its being complicated with the great variety of matters which will necessarily be involved in a financial discussion. If the Senate are disinclined to pass this bill, let us have the benefit of that determination, and get it out of the way entirely and forever, so that we may go on with the consideration of other questions.

I have heard the discussion on both sides of the chamber, from both parties, for three or four years, and I believe there is not a Senator here of any party or of any section who does not concede that some provision must be made for the redistribution of bank circulation at this session. For the present we propose a partial remedy; and the plan suggested of retiring the three per cent. certificates now meets the approval, I may say, of almost every branch of the Government. The Secretary of the Treasury recommends it in his report; the President of the United States recommends it in his annual message. I do not know that any objection has been made to it even in the public prints. It seems to be conceded that this is the most innocent way in which this now pressing necessity of a partial redistribution of bank circulation can be brought about.

The proposition for free banking on a coin basis, I believe, also receives the general assent of our constituents in all parts of our country. The only doubt that has been suggested in the consideration of the subject is whether such banks would be organized; but that doubt has been answered by the actual offer of large corporations and wealthy individuals on the Pacific coast and in New York to organize them upon the basis of existing law. I trust, therefore, we shall proceed with the consideration of this bill, adopt such amendments to it as the Senate think proper, and then pass it.

I assure the Senator from Massachusetts that the friends of this measure for the equalization of the bank distribution are not to be diverted from their purpose. At the last session of Congress we were to some extent prevailed upon to yield a measure of substantial justice; but I tell him now, candidly and fairly, that at this session of Congress the gross and palpable injustice of the present distribution of the currency, brought about by a violation of the law in the interest of a few States, will be and shall be corrected. I say that authoritatively, be-

cause the representatives of three fourths of the States on this floor and more than four fifths of the members of the other House of Congress feel that in this their constituents are suffering daily and personally a gross injustice. We are not to be diverted from the purpose of correcting this gross inequality by any plausible and illusive amendments or pretexts.

When the Senator offered this amendment I characterized it as a funding bill, and said he threw into this discussion a vast multitude of topics. Why, sir, his own speech shows clearly that what I said was true. What does he mean by talking about taxation, reduction of interest on the public debt, funding the greenbacks, and a great variety of subjects? The bill he introduced yesterday as an amendment to this measure provided for a new class of bonds, four per cent. bonds. Not only that, it repudiated the obligation of the existing bonds. The amendment offered by him contains the most striking act of repudiation that I have ever yet seen offered in Congress except by one of my colleagues in the House, and he had only a single vote; and that is, a proposition that in case the banks will not take the new bonds we shall hold in the Treasury the excess of interest and deny the obligation to pay the interest on the bonds now deposited with the Government of the United States.

A proposition contained in the amendment offered by the Senator from Massachusetts expressly declares that if a bank does not do so and so, the Treasurer of the United States shall retain in his hands one third of the interest on its bonds without any provision to give the bank an opportunity to withdraw them. "You must take this new bond, or I will withhold one third of the interest on your bond." That is the provision. I will read it:

And if any national bank shall not furnish to the Treasurer of the United States the new bonds, as required by this act, within three months after having been notified by the Secretary of the Treasury of his readiness to deliver such bonds, it shall be the duty of the Treasurer, so long as such delinquency exists, to retain from the interest as may become due and payable on the bonds belonging to such delinquent banks, on deposit with him as security for circulating notes, so much of such interest as shall be in excess of four per cent. per annum on the amount of such bonds, which excess shall be placed to the credit of the sinking fund of the United States.

In other words, it confiscates one third of the interest on the bonds. The amendment proposed by the Senator from Massachusetts raises every question that is raised by a funding bill. There is the exemption of the bonds from taxation, national, State, and municipal; there is the exemption of the bonds from even the income tax; there is every question presented in this amendment that can be presented in any funding bill. Now, the Senator from Massachusetts need not be informed that no person on this floor certainly has shown himself more anxious than myself to reduce the public debt, to devise some way to fund it at a lower rate of interest; but it never occurred to me that we had the power to take these bankers and bond-holders by the throat and say to them, "You shall surrender your bonds or we will take off and reserve in the Treasury of the United States one third of your interest." That never occurred to me; and yet that is the effect of the proposition ori-

ginally submitted yesterday. It is true that the Senator now modifies it. The remarks I made were upon the proposition then pending; but it is now modified; and yet it is a funding bill.

The Senator now proposes to withdraw \$200,000,000 of greenbacks, the favorite circulation of the people of the United States, and issue in their place bank notes. He knows very well that if the Senate should be prevailed upon in an evil hour to adopt this amendment, it would be the end of all measures for the redistribution of the banking circulation. Such a proposition can not be adopted in the House of Representatives. But I ask the Senator how will he retire and redeem the \$200,000,000 of greenbacks that he proposes to retire by the operation of his amendment as now offered? He withdraws \$200,000,000 of greenbacks before the bank notes are issued, or as they are issued. Where does he propose to get the money with which to pay \$200,000,000 of greenbacks? Out of surplus revenue? Not at all. He must do it by issuing new bonds, by increasing the bonded debt. What kind of bonds? What shall be their nature, what their rate of interest, when shall they be payable, and how taxable? The very amendment now offered by him raises inferentially every question that is presented by a funding bill.

The Senator's proposition is a proposition to ingraft on this bill for immediate relief a funding bill, raising a multitude of questions which will probably be debated here for two or three days. This is part of the very bill introduced by the Senator that is now being considered by the Committee on Finance, every section of which has been carefully gone over word for word, together with a multitude of other projects sent not only from the Executive Departments, but from other members of the Senate. We are now considering those questions in the Finance Committee, and the Senator seeks to complicate this bill by throwing open all this wide field of discussion on this simple bill to provide a partial remedy for a great injustice.

Mr. President, we may as well talk plainly in regard to this proposition. That some measure for the distribution of the banking circulation will pass this Congress I have no doubt. The strength of the votes is here. The Senator from Massachusetts himself admits the necessity of it, the absolute justice of it, and there are but two modes of doing it. One is the plan proposed by the Senator from Kentucky, to make the distribution according to existing laws. If the Senator from Massachusetts wants a thorough measure, one that is just and right and thorough, going to the bottom as he says, let him take that. He objects to ours as timid. If he wants a thorough measure, one that is just and defensible and right from beginning to end, let us do what is right, and let the representatives from the States which have an excess come forward and say, "We will concede that the law shall be carried out and that the advantage which we hold in violation of law, in disregard of law, shall not any longer be held by us." If he wants what is called root-and-branch work without any regard to the interest of his constituents or the business relations of the country, if he wants what is called a radical measure, I am willing to support it and to provide according to existing law for a redistribution of the

bank circulation. That will draw from the three States of Massachusetts, Connecticut, and Rhode Island \$56,000,000 of bank circulation, more than enough to supply all the present wants of the West and South.

Why should not this be done? Why should we not vote for the propositions of the honorable Senator from Kentucky? Here perhaps I am touching upon what the Senator from Massachusetts calls our timidity. He says we timidly approach this question. Why are we timid? Simply because we do not wish to do injustice to his constituents. We do not wish to disturb the business relations that have grown up out of a practical violation of law. We do not wish to compel the banks of New England to sue their debtors and call in all their credits. We timidly approach a question where the rights and interests of his constituents are concerned. If the question were to be decided according to the rights and interests and wishes of my constituents, I should vote for the proposition of the Senator from Kentucky to make thorough work of this, and not be arraigned here by the Senator from Massachusetts for proposing a timid measure when the only timidity of our proposition is that we have declined to do justice, even against his own constituents.

Now, Mr. President, let us go a little further. It is said that this measure is not sufficient. That objection is well taken. Forty-five million dollars is probably not enough; but it is enough for the present purpose; it is enough for two years. The Comptroller of the Currency says, in his official report, that \$45,000,000 will probably be all that can be absorbed by the South and West. My own impression is that the whole amount of \$45,000,000 will not be absorbed; that there will be verge enough in the \$45,000,000 to supply the wants of all the cotton States and of all the Western States, because banks can not now be organized so readily and so easily as they could a few years ago. The bonds, which are the basis of the bank circulation, are very high in the market. Men will think a great many times before they will pay from ten to twenty per cent. premium for bonds in order to make them the basis of circulation. The operation of banking will go on with much more difficulty. During the war the profits of banking were very high. Now they are not so high. I have no doubt, therefore, that the measure proposed by the committee, while it may not be sufficient for all time, is yet sufficient for two or three years, during which we shall be approaching specie payments. It is ample for our present purpose, and therefore the amount ought not to be increased. Even if \$45,000,000 is not enough for all time it is enough for one year at least, and we shall be in session again next December, and can then provide, if necessary, for a further distribution.

But the Senator asks why withdraw the three per cent. certificates. I will tell him. Because it is a currency upon which we are now paying to his constituents three per cent. interest. The banks of his section hold it in their vaults as part of their reserve. Nearly all those three per cent. certificates are held in the State of New York and in New England; very few of them are held anywhere else. Those banks hold them as part of their reserve, and they are now actually drawing three per cent. interest on United States currency.

But the Senator, while stating correctly in the main, has not stated with exact accuracy the history of the three per cent. certificates. No one desired to issue the three per cent. certificates. If he will look back to the debate on the subject he will find that I, for one, took the ground that it was the most oppressive form of indebtedness; but we then had a choice only between the three per cent. certificates and more five-twenty bonds.

When the compound-interest notes became due the Government paid off as many as it could; but there were some sixty or seventy million dollars that it had not means to pay. The only question then was whether we should authorize an increase of the bonded debt or the issuing of these three per cent. certificates. It was supposed that the three per cent. certificates would be a temporary loan, kept out for a short time; and rather than increase the bonded debt bearing an interest of six per cent. in gold, we authorized the issue temporarily of three per cent. certificates, which are now held entirely by the banks. Probably no individual in the United States holds a three per cent. certificate unless as the agent of a bank. They are locked up in the safes of the banks. While they are there they perform all the functions of a currency except actual circulation among the people. They do not pass from hand to hand, but they are held by the banks in the place of greenbacks, and the very moment they are paid off, greenbacks must flow in and take their place.

Now, what advantage is derived from calling them in and issuing new bank circulation? The Government saves the payment of three per cent. interest on the certificates, and the banks are compelled to hold greenbacks drawing no interest, so that we save by the substitution of greenbacks in the bank vaults for these three per cent. certificates the interest we now pay upon the latter. But that is not all. If these certificates are made the basis of new banks, we tax the new banks about three per cent., so that in this way we gain by increased taxation on new banks three per cent., and we also save three per cent. interest on the certificates, thus making a gain to the United States of at least six per cent.

It is therefore an object for the Government to retire these three per cent. certificates; and if upon that retirement we can base a reasonable increase of bank circulation in the Southern and Western States so as to satisfy, at least for a time, a just and well-founded complaint, it seems to me instead of acting timidly and foolishly we are acting wisely and for the best interests of the Government and the people. But if the States we have been endeavoring to protect, whose people came to us last winter and begged us not to disturb their business relations, think it is better to go down to the foundation of this matter, to go back to the old law and enforce that, let it be so, and let us adopt the amendment of the Senator from Kentucky. I do not think it would be best. I think that, without disturbing any existing bank, or deranging affairs anywhere, we may supply all the wants of the South and West, for at least two years, by an increase of banking circulation through the substitution of bank notes for the three per cent. certificates.



In regard to the other branch of this bill, the sections providing for free banking upon a coin basis, I have no doubt that they will be the basis of all the banks of the United States within a very short time. Indeed, by the adoption of a funding bill, and of measures that look to the reduction of the interest on the public debt, by an increase of our revenue, by our improved credit, by our enlarged production, by our growing commerce, by measures that may be adopted from time to time, we shall gradually approach specie payments, and in that way all banks will be upon a coin basis.

My honorable friend from Indiana, whose opinions I always respect, seemed to think that banks organized upon a gold-coin basis under this bill could not be maintained. Why, sir, they have always been maintained. They were maintained before the suspension of specie payments and can be maintained now. No bank ever held enough coin in its vaults to pay off its notes; and we have provided now in this bill larger securities for the payment of these coin notes than were provided for bank notes issued by any bank that I ever read of. We have provided for an actual reserve of twenty-five per cent. in coin. We have provided for the deposit of bonds, payable principal and interest in gold, for twenty per cent. more than the amount of the new notes. There is absolute safety unless the Government of the United States itself perishes.

But the Senator says these banks will not be organized. Then what harm is done? We shall at least have given to the Pacific coast (where long experience has shown that they can not introduce the legal-tender currency of the United States, and where gold now circulates and is the basis of all transactions) the opportunity of forming banks upon the national banking system. Why deny them that privilege? The Senator from Indiana is afraid of contraction; and yet he read from the report of the Secretary of the Treasury that if we do not adopt this system greenbacks will flow into the Pacific States and thus create a contraction in the East. Why, sir, if you let the people of California, Oregon, and Nevada follow the bent of their own inclinations, they will not have paper money at all except it be paper money based upon coin. I know, and their representatives are here to speak for them, that they are anxious to adopt a system of banks based upon coin. Why not give them the opportunity? If they are organized and supplied with these coin notes, as a matter of course it leaves more greenbacks to circulate among us, and prevents the very evil my honorable friend seems to contemplate with terror.

But he made another great mistake. He said that coin notes were not in circulation. Why, sir, there are more coin notes than greenbacks in circulation among the people of New York City to-day. They are called gold certificates, but they are in the form and similitude of bank notes, circulating from hand to hand; and they now actually transact a larger amount of the business of the city of New York than the greenbacks. My honorable friend can not be ignorant that the great commercial transactions of this country are based upon gold and settled in gold, and that these coin notes, from the necessity of the case, are used as a substitute for gold. The very fact that pri-

vate persons are willing to deposit their gold in the Treasury of the United States and receive therefor a certificate or a note without interest, and to hold that note from month to month and from year to year, shows that there is a commercial demand for this kind of paper, and that these coin notes are equivalent to coin and have not the uncertain fluctuating value of paper currency. They are demanded now at the great commercial centers of our country. They are demanded in Oregon and California, as is sufficiently shown in this debate, and as I know from correspondence with a great many persons there. They would also be a convenient currency in the city of New York.

But my honorable friend says that if a bank on this basis were started in the city of New York it would break. How could it break? Only in the same way that any other bank could break; but it could not break to the injury of the note-holder unless after exhausting the twenty-five per cent. of gold on hand the bonds in the Treasury were not sufficient to redeem its notes, and that is not a supposable case. If there were any doubt about that, the amount of notes to be issued ought to be restricted still further. Banking operations are conducted upon the basis of confidence. The very moment you give to a bank that confidence which alone will maintain it, its notes, whether payable in currency or gold, will circulate in the community until a suspicion is cast upon its credit. Then they will flow back to the vaults of the bank; and if a part of them be promptly met, confidence is restored.

Sir, there is more safety and security in this system of coin notes than there is in the paper dollar. Last year the fluctuation in paper money amounted to forty-five per cent. Gold, however, remained as stable as the eternal hills, because it was not only the product of labor, but it was labor and value itself. Your paper money fluctuates among the bulls and bears of New York. The operations of three or four men there almost produced a catastrophe, and nothing settled the matter except the gold in the money market. The throwing of a little gold upon the market ended that great panic.

I believe that these coin notes, if banks are organized under the provisions of this bill, without any sudden change in our banking law, will gradually take the place of greenbacks and also of the ordinary bank notes, and that as we approach specie payments the banks will base their operations entirely on gold and silver coin. But if the Senator is correct, if this expectation of mine is delusive, what harm can the provision do? None whatever. It will at least give to the Pacific coast an opportunity of having a stable and fair currency. It can do no harm anywhere. It will give to the great commercial centers, where they propose to carry on their operations in gold, an opportunity to establish gold banks with ample security.

Sir, there is no possible objection to this bill except the one stated by the Senator from Massachusetts, and that is that the bill does not go to the root of the difficulty. I confess that that is an objection; but if we have timidly approached this question it has been out of regard for his constituents. If he is not satisfied, and those for whom

he speaks are not satisfied, then let us go to the root of the matter. For myself I do not desire to see any injury inflicted on any portion of our people. I believe that the measure proposed by the committee, giving to the South and West a small increase of their banking currency, which will enable them to get on for two years without any cause of complaint, is a sufficient measure for the present. It will not furnish the equalization that is desirable; but the West and South will have no reasonable cause to complain so long as banking facilities are open to them, even if New England has more than her share. The South can not complain when she may go to the Treasury of the United States and receive banking circulation upon the same terms and conditions as New England.

If the system is free to the extent provided there can be no ground for objection, although one portion of the country has more than another. It is only when it is bound round by an iron monopoly that there is objection to it. If \$45,000,000 is not enough for the demand, even that would not destroy the monopoly; but from the best information that the committee had, from the statement of the Secretary of the Treasury, from the statement of the Comptroller of the Currency, from whom we have an official document that \$40,000,000 or \$35,000,000 will cover all the applications made from the Southern and Western States, we thought this measure would be a useful one, and concluded not to propose anything more radical. Besides, this timid measure that my honorable friend comments upon is the one suggested by the President of the United States, who is not a very timid man; and this very bill meets the hearty approval of the Secretary of the Treasury, who is from his own State.

It seems to me that for the Senator to characterize as wrong everything which does not come up to his standard of what is right is going rather too far. The truth is that my honorable friend has introduced a bill that has a great many good things in it. I have read that bill probably as often as he has, and probably know its origin as well; and most of it I can support. It looks in the right direction. It looks to specie payments. It looks to the reduction of the interest on the public debt. It contains many good things; but it is not a specific for all the ills of life. He must not offer it as an amendment to every bill that is proposed, no matter what its character. He must not drag the discussion of that bill into the debate upon every measure that is proposed here.

When the Committee on Finance, after careful consideration and with almost entire unanimity, perhaps I may say with entire unanimity, present a measure here to cure a palpable evil, to remedy an injustice that will not be endured any longer, without inflicting any injury on his constituents, which is only beneficial to the South and West where this evil is complained of, instead of receiving his denunciation, instead of having amendments thrust upon it to drag in various other topics, we ought to have met with his cordial support; he ought to have come to us and said, "Gentlemen, you have done justice to the West and South, at least for a year or two, without doing injustice to us." But if he is dissatisfied with it, then, as a matter of course, the Senate if

they are moved by his arguments will go to the foundation, tear up all the distribution made in violation of law, and give to each State and section of this country its fair and just share of the circulating medium.

My own opinion is, Senators, that it is better to adopt this measure as it is, imperfect as it is, timid as it is, and leave all the other questions which have been involved in this debate—the interest on the public debt, the funding of the public debt, the taxing of the public debt, what bonds banking shall be based upon—all the multiplied forms of complicated questions growing out of our finances, to be discussed and decided, on bills that will be reported to you looking to that end. Then, if the Senator from Massachusetts or any other Senator has any favorite financial theories or documents that he wishes to present, that will be time; but now, when we are dealing with a small matter, and yet a pressing matter, it seems to me it is not the proper time to do all these things.

I therefore repeat that I think this bill ought to be confined to the objects proposed. If Senators do not agree with the committee on the measure reported, let them offer amendments bearing upon those particular questions. The amendment of the Senator from Massachusetts is not of that kind. It proposes to withdraw the greenbacks and enlarge the limit of banking circulation, without any provision for a redistribution. It proposes to do what he must be satisfied the House of Representatives will not agree to do, at least at this session of Congress. I know that the greenbacks are the great stumbling-block in the way of specie payments, and I hope that they will be gradually retired and funded; but they must be withdrawn by funding them into bonds bearing a low rate of interest.

As I do not wish to occupy the attention of the Senate again, I desire now to reply to one or two other points made by my friend from Indiana. He says that there are a great many abuses growing out of this system of national banks. I agree with him in that respect; and you never had a system of banking or a system of any other kind so extensive as this that was not subject to abuse. All we can say is that experience has shown that this is the best banking system which has yet been devised. He says the banks charge too high a rate of interest. Admit it; the law allows every State to regulate that matter to suit itself. Would the Senator drag into this discussion of a measure intended to benefit his constituents and the whole South and West a controversy about our interest laws? The general sentiment is coming to be that money, like every other commodity, ought to be left free to bear as high or as low a price as the parties can agree upon; and experience in European countries has shown that where the rate of interest is left free it is lowest as a general rule. But that question ought not to be drawn into this discussion, because by the banking law every State may fix the rate of interest within its limits. No bank can charge more than is allowed by the laws of the State to the citizens of the State. I supposed that in Indiana they had a law which allowed ten per cent. interest on a contract to pay ten per cent. If so, the banks can charge no more; and if they do, they forfeit their charters, they forfeit the whole interest on the debt, and they are liable to be wound up on complaint.

That is not all. A severe provision was introduced into the banking law, if I remember aright, by which the debtor may at any time within two years sue for and recover the unlawful interest charged. It is said to be a dead letter. The reason is that no honorable man having made a fair contract will go and sue to recover back the money paid. It is like the case of a man who is addicted to gambling; he will submit to his loss rather than appeal to the courts for redress. That is not the fault of the law. If there is any fault about it, it is the fault of the people.

But the Senator says the banks pay interest on deposits. Why, sir, at the last Congress the Committee on Finance reported here a bill to prohibit the payment of interest on deposits. My friend from Pennsylvania [Mr. Cameron] and most of the Senators around him opposed it with great warmth, and it was defeated. Now we do not propose to put on this bill a proposition like that, which would bring about inevitable defeat, although I agree with the Senator that the banks ought not to be allowed to pay interest on deposits. The Comptroller of the Currency has several times recommended to us to pass a law prohibiting the payment of interest on deposits, and the Committee on Finance is in favor of it, but the Senate is not. Would my honorable friend load down this bill with an amendment that has already been voted down by the Senate? You can not correct all these abuses and accomplish all the ends you desire by a single measure. If the aim and object of this measure is a good one, if its tendencies are correct, then it ought to be adopted without regard to the multitude of other questions that may be thrust into this debate.

I suppose it is not unreasonable for a committee of this body to ask that the order in which they present the various questions submitted to them shall be somewhat regarded. Now, the Committee on Finance on all these difficult questions raised as to the condition of the currency, the condition of the banks, etc., have had some experience. Last year we reported a bill that we considered a very comprehensive one, because it embodied the views of the Committee on Finance on all the different questions in dispute. I believe it was praised by my honorable friend from Massachusetts as a comprehensive bill, and on the whole it received his approval. He gave it the weight of his support. But it was found when we came to debate the bill that Senators here and there differed as to particular sections, and refused to vote for the entire bill because certain features of the bill disagreed with their opinions. The result was that it was impossible to get the concurrence of the majority of the Senate on any bill, although everybody can see now that it would have been much better and much wiser to pass almost any proposition that was introduced.

Now, the Committee on Finance, after the most careful consideration of these various questions, intend to take them up separately and present them to the Senate in their order, keeping them, if possible, detached from each other. What is the first and most obvious and most necessary measure? Here is a measure for the equalization of currency. The inequality of the distribution of circulation creates fierce and bitter sectional feeling, and has been complained of for years. We

undertook to rectify that; but there was one fundamental principle which guided us, and that was that we would in no event increase the amount of paper money issued in this country. How, then, could this distribution take place? We had various modes proposed to us, and finally we settled upon a plan to retire a form of indebtedness called the three per cent. certificates, which the Government was prepared to redeem, and we proposed to fill that vacuum by issuing currency to the various Western and Southern States. Here was a simple proposition that we thought would meet with no practical objection. The Government of the United States had the means from surplus revenue, according to information given to us by the Secretary of the Treasury, to retire these three per cent. certificates. All classes of people except those who hold them desire to have them retired. They were in the way of specie payments. Until they were redeemed we could not move toward specie payments; and therefore it was an object to get them out of the way; and if in doing that we could fill up the vacuum in the South and the West so as in time to supply the sectional demand upon us—a demand admitted on all hands to be founded in justice—we thought that was a simple proposition that would receive the assent of every one.

But it was claimed, on the other hand, that on the Pacific coast, after long experience, they could not get their people to take our present paper money. They therefore wanted some form of paper money to aid them in the ordinary operations of business. We could see no objection to banks being organized on the basis of the national banking law with a provision for the issue of coin notes. So in the same bill we provided another measure to relieve the Pacific coast, which tended also to equalize the distribution of banking circulation, because if the Pacific coast should not use the present paper circulation of the country, and we could supply the vacuum there by coin notes, then more was reserved for the South and West. These two simple propositions, which must commend themselves to the good sense of every Senator, were considered by themselves and reported.

Now, what is the condition of affairs? After a long and wearisome discussion my honorable friend from Michigan endeavors to throw into this debate the funding bill. So my friend from Massachusetts endeavors to thrust in a very comprehensive proposition embracing a great variety of subjects. Why do I say they wish to thrust the funding bill into this discussion? For this simple reason: if we attempt to retire the greenbacks, we can retire them only by issuing new bonds. There is no surplus revenue with which we can pay them. We have enough, or probably shall have in the course of the next six months, to retire the three per cent. certificates; but no one contends that we shall have enough to retire the greenbacks. My honorable friend from Michigan proposes to retire \$55,000,000 of greenbacks by issuing bonds. What kind of bonds shall they be? Shall they bear four, five, or six per cent. interest? Shall they be taxable or not? Thus every question involved in the funding bill is brought at once into this controversy upon a bill for the redistribution of bank circulation.

It is manifest that, with the diversity of opinion that would at once

appear on his next amendment to provide for a mode of retiring the greenbacks, we should embark upon a wide sea of debate, and we should have a proposition before us that had never been considered by a committee. On the other hand, if the Senate will take this bill and make such amendments to it as they may deem proper, they have the assurance that in a short time a bill comprehensive in its character, so far as the funding of the public debt and of the greenbacks is concerned, will be reported, and they will have ample ground for debate. I ask Senators, if possible, to keep that question of funding the public debt, both the greenbacks and the bonds, separate, so that they may consider that subject and let the Senate arrive at a conclusion on it alone. Then, in due time, it will be followed by other provisions in regard to all of the existing banks, old and new, and measures of revenue, tariff, and taxes. I appeal to Senators whether it is not wiser to keep these questions separate, to decide them one by one in the order of their coming rather than to mingle them into a hotch-potch and then finally lose them all.

There is another proposition offered by the Senator from Indiana [Mr. Morton], and I wish to say what I have to say in regard to it now, so that I may not trespass on the time of the Senate further, as I am anxious to have a vote. He proposes to increase the amount from \$45,000,000 to \$52,000,000. That is inflation of the currency pure and simple to the extent of \$7,000,000. I will not vote for any proposition that will inflate the currency. We must get back to specie payments, and yet the proposition of my friend from Indiana, upon a false theory I think, proposes to retire \$45,000,000 of one kind of paper currency and to issue \$52,000,000 of another kind.

This is inflation to the amount of \$7,000,000. It is true it is not one of those terrible calamities that will be so very injurious; but it does inflate the currency. My honorable friend makes his proposition upon what I consider a delusive idea; that is, he says the retirement of \$45,000,000 of three per cent. certificates would contract the currency as much as the issue of \$52,000,000 of bank circulation would expand it; that on account of the reserves which these banks would be compelled to hold in their vaults the retirement of \$45,000,000 of three per cent. certificates is fully equivalent to the issue of \$52,000,000 of bank circulation.

The delusion of that idea is proved by this: when a bank is organized there is a circulation springing out of the very organization of the bank which more than counteracts all the amount of the reserve. My friend from Pennsylvania [Mr. Cameron], who is a banker, knows that the organization of a bank in any community draws from the pockets of the people, in the form of deposits, idle capital which may be idle but for a few days, which is usually, on the average, equal to the amount of capital of the bank. These deposits in the bank are made the basis of circulation, not, it is true, of paper money, but of drafts, loans, certificates of deposit, and various forms of circulation; so that the establishment of banks to the amount of \$40,000,000, in my judgment, will create more circulation than the retirement of \$45,000,000 of three per cent. certificates. The argument would be rather the other way.

I have no doubt that if banks are established in the South and West with circulation to the amount of \$45,000,000, the actual increase of circulation, that which transacts business and pays debts, will be much larger than \$45,000,000. By absorbing the little deposits of merchants and business men, and even of the freedmen of the South, they will largely increase the currency and give facilities for transacting business. But it is a delusion, as every practical banker must know, to say that \$45,000,000 of three per cent. certificates is only equivalent to \$52,000,000 of new banking circulation.

The whole theory of the honorable Senator from Indiana is based on the idea that the deposits of a bank will not exceed its reserve. It would be a very poor bank, indeed, the deposits in which were not three or four times the amount of the reserve. The idea of banks being organized in a community where the deposits, which are circulation, do not largely exceed the reserve, is a delusion.

Therefore I say we ought to confine the operation of this bill to the identical sum that we propose to retire and cancel; and when we pay off \$45,000,000 of indebtedness, which we are now prepared to pay, and which ought to be got out of the road in order to prepare for specie payments, let us also provide for the other difficulty in the South and West by giving them the same amount, and not a dollar more, of currency in the form of bank notes, and in that way confine our measure to its true purpose, the equalization of the circulation of the country, and the provision of temporary facilities for the Pacific coast in the form of coin notes.

Mr. President, I am sorry that I have occupied so much time; but I again express the hope that this bill, which certainly in its present form is a simple one, confined to the questions I have stated, may be brought to a vote to-night, and thus give way for other important bills which are now pressing upon the attention of Congress.

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## FUNDING BILL.

*IN THE SENATE, FEBRUARY 28, 1870.*

THE Senate having under consideration the bill to authorize the refunding and consolidation of the national debt, to extend banking facilities, and to establish specie payments, Mr. Sherman said:

MR. PRESIDENT: I do not deem it necessary, in opening this debate, to invoke the attention of the Senate to the importance of the subject embraced in this bill. It is unnecessary to discuss the public policy of reducing the interest of the national debt and returning to specie payments. These subjects I have had occasion frequently to discuss in the Senate, and I could add nothing to what has been already said. The question is whether the public debt is in such a condition as to justify us in undertaking the task of reducing the interest upon it, and whether our financial condition is such as to enable us to take



another step toward specie payments. These questions, and the practical one whether this bill will tend to accomplish the object proposed, are the only questions which I mean to discuss at this stage of the debate.

The first six sections of the bill that has been read prescribe the form of bonds into which it is proposed to fund the entire debt of the United States, and the necessary agencies by which they may be disposed of. The seventh section provides for the reduction and the ultimate payment of the public debt, not only of the old debt, but of the new one created under this act. The remaining sections of the bill, three in number, contain important changes in our banking laws, by which the national banks are required to aid in funding the public debt, and by which the banking system will become free and specie payments will be resumed.

In order to understand the effect of this bill, it is necessary to recall the history of the public debt and the precise condition of the existing laws; and I shall perhaps weary the patience of the Senate by a recital of necessary facts in order to present the question fairly for this debate.

Under the loan laws of July 17 and August 5, 1861, gold was borrowed in the same mode and on the same principles that had been usual in the loans of the United States from the time of the formation of the Constitution to that time. Bonds running twenty years, principal and interest payable in gold, were sold in the money markets of the world for what they would bring. In addition to such bonds there were issued Treasury notes bearing seven and three tenths per cent. interest, and also demand notes not bearing interest, payable in coin and receivable for all classes of public dues. The whole were on a specie basis, and the discount on the bonds sold represented the depreciation of the public credit. After the sudden suspension of specie payments, however, in the fall of 1861, at a time when the Government was raising from two to three hundred thousand men, when its daily wants were from one to two million dollars, when the people for the first time began to see that they were involved in a great war that would task the utmost resources of the country, when specie had disappeared from circulation, the Congress of the United States was compelled to adopt a new financial policy.

After a long and memorable debate of over two months in both Houses of Congress, the act of February 25, 1862, was adopted. That was a revolutionary act. It was a departure from every principle of the financial policy of this Government from its foundation. It overthrew not only the mode of borrowing money, but the character of our public securities, and was the beginning of a new financial system unlike anything that had been ventured upon by any people in the world before. This new policy was adopted under the pressure of the severest necessities, and was intended to meet a state of affairs never foreseen by the framers of the Constitution.

Now, sir, it is important to understand the principles of this act; for it was the foundation of all the financial measures adopted during the war. It was upon the basis of this act, enlarged and modified from time to time, that we were enabled to borrow \$3,000,000,000 in three years, and to put down the most formidable rebellion in modern his-

tory. This act was based upon three distinct provisions or fundamental conditions.

First, extraordinary power was conferred upon the Secretary of the Treasury to borrow money in almost any form, at home or abroad, practically without limitation as to amount, or with limits repeatedly enlarged. Every form of security which the ingenuity of man could devise was provided for by this act or the acts amending it. Under these acts bonds were issued payable in twenty years, Treasury notes were issued, certificates of indebtedness, compound-interest notes, and other forms of indebtedness, with varying rates of interest.

There were, however, distinct limitations upon the nature and character of these loans. It was stipulated, first, that more than six per cent. interest in gold should not be paid on the bonds issued, nor more than seven and three tenths interest in currency on the notes issued; and second, that all the loans should be short loans, redeemable within a short period of time at the pleasure of the United States. Thus the gold bonds were redeemable after five years, the Treasury notes after three years, and all the securities were within the power of the United States to redeem at the end of five years at furthest. And third, no securities were to be sold at less than par. Their unavoidable depreciation was measured, not by the rate of their discount, but by the depreciation of the currency. We held our bonds at par in paper money, though at times they were worth only forty per cent. of gold.

The second leading feature of the act of February 25, 1862, was the pledge of our customs revenue, collected in gold, for the payment of the interest, and not less than one per cent. annually of the principal of the public debt. The third and most important provision of that act was the clause making a legal-tender currency of United States notes, convertible at the pleasure of the holder into bonds bearing gold interest. Upon these three fundamental conditions the act of February 25, 1862, and all the subsequent acts were founded. They provided for short loans, payment of interest in coin, and legal tenders.

Now, Mr. President, it may be proper to state the reasons for this policy. We recognized the existence of a great pressing necessity that would tend to depreciate the public credit; and we took care, therefore, not to make loans for a long period, so as not to bind the future to the payment of such usurious rates as we were then compelled to pay.

We provided for gold interest and gold revenue, to avoid the extreme inflations of an irredeemable currency. We wished to rest our paper fabric on a coin basis, and to keep constantly in view ultimate specie payments. I believe that but for that provision in the loan act of February 25, 1862, in 1864 our financial system would have been utterly overthrown. There was nothing to anchor it to the earth except the collection of duties in coin and the payment of the interest on our bonds in coin.

If the interest on our bonds had not been payable in coin during the war, it is probable that in the terrible depreciation of 1864 our paper money would have disappeared, and the people would have resorted again to barter in gold, in disregard of our legal-tender curren-

cy. As it was, the depreciation at one time was such that \$286 of our paper money was required to purchase \$100 in coin. This simple provision for the collection of duties on imports in gold and the payment of interest in coin was the only conservative security of our paper system. Without that, the paper balloon might have exploded, as it did in the revolutionary war in the time of our fathers, as it did in the French revolution by the issue of assignats and mandats, and as it did in the Southern Confederacy, where it ended in the entire destruction of the public credit of the Confederacy, at one time higher in the money market of Great Britain than our own.

But, sir, the most important and the most revolutionary principle of the act of February 25, 1862, was the legal-tender clause. This was a measure of imperious and pressing necessity. I can recall very well the debates in the Senate and in the House of Representatives upon the legal-tender clause. We were then standing in the face of a deficit of some \$70,000,000 of unpaid requisitions to our soldiers. Creditors in all parts of the country, among them the most powerful corporations of this country, had refused our demand notes, then very slightly depreciated. We were under the necessity of raising two or three million dollars per day. We were then organizing armies unheard of before. We stood also in the presence of defeat, constant and imminent, which fell upon our armies in all parts of the country. It was before daylight was shed upon any part of our military operations. We adopted the legal-tender clause then as an absolute expedient. Remembering the debate, I know with what slow steps the majority of the Senate came to the necessity of adopting legal tenders. A majority of the Committee on Finance, as then organized, was opposed to the legal-tender clause, the Committee standing four against to three for. However, the bill was reported without striking it out, and then a proposition was made to strike out the legal-tender clause. After a long debate this motion was voted down by a very small vote indeed, and thus the legal-tender clause was retained in the bill and finally passed. If the legal-tender clause had been stricken out, what would have been the result God only knows.

At that time Mr. Chase was Secretary of the Treasury. I remember the constant, urgent, and repeated requests made by this distinguished citizen, who was certainly one of the ablest financial ministers that any country ever enjoyed in time of trouble, upon this very question of the legal-tender clause, "in season and out of season." I find, upon referring to a book recently published by Mr. Spalding, then a member of the House of Representatives, that when the bill was pending on the 5th of February, 1862, Mr. Chase wrote this letter to him in reference to the legal-tender clause:

"Such men as Nathaniel Thayer of Boston, Alexander Duncan of Duncan, Sherman & Co., Shepard Knapp, and John D. Wolf, and numerous able and leading financial men, have told me within two days that you were perfectly right, and they are deeply anxious that the legal-tender clause should stand in the bill. They say that the country is lost without it."

TREASURY DEPARTMENT, *February 5, 1862.*

MY DEAR SIR: I make the above extract from a letter received from the Collector

of New York this morning. It is very important the bill should go through to-day, and through the Senate this week. The public exigencies do not admit of delay.

Yours truly, S. P. CHASE.

HON. E. G. SPALDING, *House of Representatives.*

Still earlier, on the 3d of February, 1862, there is this letter, sent by Mr. Chase to a member of the House of Representatives; and these are private letters:

MY DEAR SIR: Mr. Seward said to me on yesterday that you observed to him that my hesitation in coming up to the legal-tender proposition embarrassed you. I am very sorry to observe it, for my anxious wish is to support you in all respects. It is true that I came with reluctance to the conclusion that the legal-tender clause is a necessity, but I came to it decidedly. I support it earnestly. I do not hesitate when I have made up my mind, however much regret I might feel over the necessity of the conclusion to which I have come.

Then he goes on in regard to the details of the bill. But, sir, that is not all. In the debate on the legal-tender clause in the Senate I supported it warmly and earnestly; and in opening my remarks on that occasion I referred to the Secretary of the Treasury, and the words uttered by me then were fresh from personal and official interviews with him. I said, speaking of the necessity of the measure:

In the first place, I will say, every organ of financial opinion—if that is a correct expression—in this country agrees that there is such a necessity, in case we authorize the issue of demand notes. You commence with the Secretary of the Treasury, who has given this subject the most ample consideration. He declares not only in his official communications here, but in his private intercourse with the members of the Committee, that this clause is indispensably necessary to the security and negotiability of these demand notes. We all know from his antecedents, from his peculiar opinions, that he would be probably the last man among the leading politicians of our country to yield to the necessity of substituting paper money for coin. He has examined this question in all its length and breadth. He is in a position where he feels the necessity. He is a statesman of admitted ability, and distinguished in his high position. He informs us that without this clause to attempt to circulate as money the proposed amount of demand notes of the United States will prove a fatal experiment.

And then I went on to speak at some length as to the necessity of the legal-tender clause, and as to the concurring opinions of public men and private citizens throughout the country on that point. Finally, by the close vote I have mentioned, the clause was carried. I repeat and read these declarations to show that, at the time the legal-tender clause was adopted, it was adopted as a pressing military necessity, to which we were compelled to resort in order to save our country in the most terrible of exigencies. And, sir, I never have seen the day from that hour to this when I regretted yielding to that necessity, and, by that extraordinary proceeding, mortgaging to the cause in which we were engaged all the property of our people and all the existing debts within the United States.

There has since been a question whether the legal-tender clause applied to preëxisting debts; but there can be no doubt of the intention of Congress, because there were no other debts to which it could apply. Unless it had been made to apply to preëxisting debts, it would have utterly failed of its object; and the debate shows that the reason why it was pressed was because certain corporations and leading citizens

were then refusing to take in payment of their debts the demand notes of the United States, receivable even for customs dues, and we felt that it was necessary by a legal-tender clause to mortgage all the credits of the United States, in order to secure the free and undisputed circulation of our notes. When a proposal was made to make the legal-tender clause applicable only to subsequent debts, it was voted down by an almost unanimous vote and without a division. Sir, the legal-tender clause was only useful as a means of compelling the creditors to the extent of the depreciation to suffer the loss. It was only done as a measure of war, and it ought and could only have been resorted to in dire necessity.

Mr. President, it is true that the Supreme Court has this winter decided that clause to be unconstitutional. I do not believe it unconstitutional. I believe that this Congress or any Congress representing the people of the United States should, under similar circumstances, adopt the same policy; and it is very strange indeed that the able Judge who pronounced the opinion concurred as Secretary of the Treasury in passing the law, and uttered his opinion in its favor in the strong language I have read you.

Sir, it is not for the Supreme Court of the United States to pass upon the necessity of any measure. I have the decision in the case of *Hepburn vs. Griswold* before me, and find that the whole basis of the decision is, that this clause was not a necessary or appropriate means to carry out an express grant of power.

Why, sir, if the Congress of the United States has not the power to pass upon the necessary means to carry out its plainly granted powers, who has? Are not we under oath, under the same impressive obligations that rest upon the Supreme Court? I do not believe in the theory of this decision. I believe that when this legal-tender clause was adopted we were in such a condition of affairs as justified it, and that Congress would have been derelict in its duty if it had failed to exercise that power at that time. Such was the opinion of almost every business man in private life, and without it we should have been driven to insolvency before victory could lend us more paper and credit. It was only the vitalizing power given to the notes of the United States, by making them the basis of our financial system, and the right to present them in payment of every debt or obligation, that gave us ability to borrow money during the dark days of the war. Therefore, I do not, for one, like to see another department of the Government endanger this power, which, if we are again involved in a war under similar circumstances, ought to be and will be resorted to by Congress.

But it must be remembered that this clause was justified only by the exigencies of war. It was not intended as a measure of peace. The legal tenders were only the instruments of battle; they were musketry and cannon; and when peace came, they should have been rapidly retired.

There was another provision incorporated in the act of February 25, 1862, that gave to the legal-tender notes their chief value. That was the right to fund them at any time into a bond of the United States bearing interest in gold; and this was upon the principle that

while we could not redeem these notes in coin, we would redeem them in the very best thing we could offer—our bonded debt, secured by a pledge of all the public revenue. This right to fund was afterward, as I will show, repealed; and the great error of our financial legislation was that this right was not promptly restored the moment the war was over, and then we would have had what was provided by the act of February 25, 1862, a self-adjusting currency, always redeemable in bonds, until bonds were at par in gold. That at least would have been honest; that at least would have made good the obligations printed upon the back of those notes when we issued them and compelled all the people of the United States to take them in the payment of private debts.

Mr. President, some important changes were made in the act of February 25, 1862, to which it is necessary for me now to refer in order to present the question clearly. By the original act the amount of legal tenders was limited to \$150,000,000. By the act of July 11, 1862, the limit was enlarged to \$300,000,000, and \$150,000,000 more legal tenders of the same character as under the act of February 25, 1862, were issued. By the act of March 3, 1863, there was a still greater enlargement of the legal-tender notes; \$150,000,000 more were authorized, \$50,000,000 of which, however, were to be kept for a specific purpose, to pay maturing obligations, making an aggregate of \$450,000,000 of legal-tender notes authorized up to that time. Then, by the act of June 30, 1864, when the paper money of the country had become alarmingly redundant and was flooding all channels of business, the United States entered into a solemn pledge, which I will now read:

Nor shall the total amount of United States notes issued or to be issued ever exceed \$400,000,000, and such additional sum, not exceeding \$50,000,000, as may be temporarily required for the redemption of temporary loan; nor shall any Treasury note bearing interest, issued under this act, be a legal tender in payment or redemption of any notes issued by any bank, banking association, or banker, calculated or intended to circulate as money.

But there was another change, a much more important modification, made of the currency provided by the original act. By the act of March 3, 1863, the right to convert into bonds was taken away by this clause:

And the holders of United States notes issued under and by virtue of said acts shall present the same for the purpose of exchanging the same for bonds, as therein provided, on or before the 1st day of July, 1863, and thereafter the right so to exchange the same shall cease and determine.

At the date of this act \$300,000,000 of United States notes were outstanding, with the distinct right printed on the face of them that they might be converted into bonds bearing six per cent. interest in gold. Why was this right taken away from them? Was it because we did not wish them converted into bonds? On the contrary, this provision was adopted to induce their conversion. All our bonds, even six per cent. gold bonds, were then below the par of United States notes; and in order to aid and expedite the conversion of the notes into bonds, we depreciated the notes. It is a grave question whether this measure was not a breach of public faith. It was clearly so, unless we

regard it as simply a limitation of the time within which the right to convert should be exercised. It was inserted in the Senate with grave doubts, and the error was, that it was not so framed as to be a mere temporary suspension of a right, and not a permanent denial; a stay law, and not an absolute repudiation under pretense of a short act of limitation.

But although the provision was adopted, and accomplished the object designed, there never was an hour up to the close of the war when these notes were not received at par for the bonds then in the market of the United States. This clause was deemed to be necessary in order to depreciate the notes and draw them back into the Treasury; but until after the war was over, practically they were received at par in payment of the five-twenty, ten-forty, and seven-thirty loans, and for every form of indebtedness contracted during the war.

I have thus stated our general financial history during the war. I will not go into details. I only wish to bring these matters, that perhaps have passed from the attention of Senators, back to their recollection. After all, our financial operations during the war were a wonderful success. We borrowed from our own people a larger sum of money than ever was borrowed in the world before in the same length of time. We levied larger taxes than were ever collected from any people before. We submitted willingly to sacrifices without a parallel in history. Taking them altogether, when we come to review our financial measures, I must say that their success is as wonderful as were our military operations. Providence seems to have been on our side. After the legal-tender clause was passed we never needed money to pay our soldiers that was not forthcoming. No soldier ever begged for his pay when it was justly due to him after these measures had been matured and adopted, and the enormous sum of \$3,500,000,000 was expended by the United States in a war of four years; and at the end of the war the country was stronger, greater, and more powerful in physical resources and in moneyed means than ever before. The contribution by foreign nations to our population, and the enormous wealth accumulated by the activity given to all business operations during the war, more than repaired the immense sacrifices involved in the operations of the war. Thus we may safely say that our financial operations during that time were a success.

The organization of the national banks, although subsidiary, yet performed a useful function in our financial operations. They absorbed the State-bank paper, which at the beginning of the war was a dangerous currency of local circulation, excluding the national currency. They furnished a market for our bonds, and now hold three hundred and forty-odd million dollars of Government bonds. They were useful financial agents in the negotiation of loans, and rendered a vast amount of service during the war in collecting our revenues and in selling our bonds. They are to be the ultimate means of resuming specie payments. By the agency of the banking system alone we can, without retiring our entire amount of greenbacks, come back to specie payments. The national banks were merely subsidiary to these great measures. The financial policy of the war was contained in the act of February 25, 1862, and the acts amendatory thereof.

Now, Mr. President, there is no doubt that during and since the war we made some errors, and were guilty of some departures from true financial principles. I say this in all kindness, because I do not mean to evade my share of the responsibility; and I now wish to point out some of those errors.

In the fall of 1864 a security of new character was issued that I think was not authorized by law. I refer to the seven-thirty bonds, which were issued running three years, with the right on the part of the holder at the end of three years to convert them into five-twenty bonds, payable, principal and interest, in gold. At the time I thought, and I still think, that by a fair construction of the law as it then stood there was no power in the Secretary of the Treasury to give the holders of those seven-thirties the right to fund them into five-twenty bonds. It was a departure from the financial policy of the Government to provide only for short loans. The result was, at the close of the war, to continue a loan bearing six per cent. in gold for a longer period than was authorized by law. By referring to the act of June 30, 1864, under which this loan was made, you will see that the option was given to the Secretary of the Treasury to issue either five-twenty bonds or seven-thirty Treasury notes. Either of those securities might be issued at his option, but there is no authority in the law of June 30, 1864, allowing their exchange by holders of the notes. The amount of notes issued in the fall of 1864 was \$234,000,000. The aggregate amount of gold bonds outstanding on the 1st of July, 1864, was only \$700,780,250; all the rest of our indebtedness at that time was in currency securities.

The next error which affected our financial operations, and which affects them now, is the error made after the war was over by the Secretary of the Treasury, of continuing this form of oppressive securities. After the war was over, and after the last rebel had laid down his arms, there were issued about six hundred million dollars of seven-thirty notes, convertible at the pleasure of the holder into five-twenty bonds. There is now no doubt that if immediately after the war was over a loan bearing a smaller rate of interest payable in gold—a five per cent. ten-forty bond, for instance—had been put on the market, all the floating debt of the United States might have been converted into it. On the 1st of March, 1865, when the war was practically at an end, the amount of gold-bearing bonds did not much exceed \$1,000,000,000, and all the rest of our indebtedness was in currency securities; but by this mistaken action the currency securities were converted into a six per cent. five-twenty bond, and the period of payment was postponed eight years by allowing their conversion at the end of three years.

But, Mr. President, Congress itself was guilty of some errors, and one or two very great omissions in financial legislation, after the war was over. The most unfortunate one was the act of April 12, 1866. By this act Congress authorized the Secretary of the Treasury to fund all the floating indebtedness of the United States, the compound-interest notes, the five per cent. notes, the temporary loan certificates, and all the then floating debt, into six per cent. gold bonds, or into any



form of bond authorized by previous acts, which covered, as a matter of course, the six per cent. five-twenty bonds.

Thus by a general sweeping provision contained in this act we legalized and authorized the conversion of the whole currency debt, except United States notes, into five-twenty bonds, thus swelling largely the volume of five-twenties. Whatever opinion may have been entertained as to the state of our finances in the year 1865, there can be no doubt that on the 12th of April, 1866, it was not wise or politic to fund the debt into a six per cent. bond. The effect of this legislation was at once to sever the bond from the note. All forms of indebtedness except the notes were allowed to be funded into bonds. This at once checked the appreciation of the notes. Gold had greatly lowered in price, till in April, 1866, when this act was passed, it was only worth twenty-five and one half per cent. premium; but from the passage of this act it immediately rose, and in July averaged fifty per cent. For years afterward gold never reached the minimum of twenty-five per cent., but advanced, fluctuating backward and forward. Paper money was then entirely detached from the rest of the debt of the United States, and became of less market value than any other form of our securities. During the past year, under a different policy, the currency has reached much nearer the par of gold than before. For three years after the passage of the act of April 12, 1866, gold, or rather our paper money, was subject to daily fluctuations and derangements, the inevitable effect of its passage. This act and the failure of Congress to provide any mode for redeeming or retiring the greenbacks, and afterward the repeal of even the limited authority granted to the Secretary of the Treasury to retire greenbacks, undoubtedly kept our notes depreciated from day to day, fluctuating in value.

Mr. President, another great error which I think we must all admit Congress has been guilty of is the long delay in passing a bill to provide for the funding of the public debt. There has been no time during the past three years when large masses of the existing debt could not have been funded into a five per cent. bond, and the actual saving by this operation for several years would have been very large indeed. But, sir, it was one of the misfortunes of the administration of Mr. Johnson that, when he abandoned the Republican party and joined our adversaries, he created such a state of feeling between the executive and legislative branches of the Government that it was impossible to secure the public attention or the attention of Congress to important financial matters.

The first funding bill was introduced in the Senate in April, 1866. It proposed to fund the debt in a five per cent. ten-forty bond. It was debated here at considerable length, and was practically defeated by amendments.

The second funding bill was introduced in December, 1867. It provided for a domestic loan at five per cent., and a foreign loan at four and a half per cent. It provided for funding United States notes and for a sinking fund. This was debated and somewhat mutilated in the Senate, but passed the Senate in an amended shape, passed the

House of Representatives, and was finally defeated by the pocket veto of President Johnson.

The history of the funding bill of the last session, which proposed a ten-forty loan, is sufficiently known, and I need not refer to it. It is sufficient to say that at the close of an old Administration, before the new Administration came into power, there was so great a diversity of opinion, among the friends of the bill, that it was impossible to agree on anything.

The time now is more favorable. The executive and legislative branches of the Government are in harmony. There are no political objections to trusting the Secretary of the Treasury with sufficient power. No doubt exists now as to the payment of our bonds in gold. Whatever doubt there was has been removed by the "act to strengthen the public credit," passed on the 18th of March, 1869. The difference between United States notes and coin is now reduced to from fifteen to twenty per cent., fluctuating slightly from day to day. Gold is lower now than it has been at any time since the close of the war. The difference between our bonds and coin is now very small. To-day, while I speak, the bonds of 1881 are above, the five-twenty bonds are very near, and the ten-forty bonds are not more than four per cent. below, par in gold; so that there can scarcely be a doubt that under a favorable state of the money market the existing bonds may be paid off with the proceeds of bonds bearing a lower rate of interest.

Again, sir, more of the debt is now redeemable. During the current year over eleven hundred million dollars of the public debt, more than half of that which bears coin interest, is redeemable at the pleasure of the United States. It is within the power of the Secretary of the Treasury to pay them off at par in gold, if he can sell at par another bond bearing a lower rate of interest.

Under these favorable circumstances the Committee on Finance had before them several plans. They had the several bills reported from that Committee previously. They had the plan submitted by the Senator from Massachusetts [Mr. Sumner], a carefully considered plan, looking to the rapid resumption of specie payments. They had also a plan submitted by the Secretary of the Treasury, and were aided by consultation with him and by such information from time to time as he could give them, and the result of the whole, after the most careful analysis of these various propositions, and after patient consideration of all the objections made, is the bill that has been read at the table of the Secretary.

Mr. President, I am here bound to say at the outset that it does not meet my views in all particulars. I could, as every Senator who hears me could, propose various amendments, and support them, I think, with plausible reasons; but in a measure of this kind, where there is a great diversity of opinion, all of us must yield somewhat. This bill substantially meets my views. It is reported by the unanimous vote of the Committee on Finance, with only one exception, and meets the approval of the Secretary of the Treasury. It is only necessary for me now briefly to look at its leading provisions.

The first point is in regard to the duration of the bonds: how long

shall they run? We have provided for three classes of bonds, all payable within forty years and redeemable within ten, fifteen, and twenty years respectively. We had to look at the established policy of our Government never to issue a very long bond. Our Government has reversed the financial policy of European governments, and especially of the Government of Great Britain. In England securities are in the form of annuities, where the amount of interest is specified, and no time is fixed for the payment of the principal. Ever since the foundation of our Government under the lead of Alexander Hamilton we have followed a different policy, looking always to the payment of the principal of the bond within the generation that created the debt. This is the established policy of our country, and I trust it will never be departed from.

It may be that a bond running an indefinite period of time, a perpetual annuity, might bear a higher price in the money markets of the world than a bond payable at a fixed time; and yet it seems to me it is more important to reserve the right to pay the principal without paying a premium than it is to avail ourselves of a lower rate of interest on a bond interminable in time. We have several times paid off our national debt. We paid off the debt of the Revolution; we paid off the debt of the war of 1812. We have always paid our debts before we agreed to pay them; and, whenever we entered the money markets of the world to buy our bonds, we were always compelled to pay a large premium. I have before me a table showing the amount of premium we have paid for debts that have been redeemed from time to time. Take the loan of 1842. We desired to redeem it before it became due, and we paid fourteen and fifty-four hundredths per cent. premium. On the bonds of 1847 we paid eighteen and eighty-five hundredths per cent. premium, and they only ran a few years; but money was lying idle in the Treasury, and it was deemed best by those having charge of our finances to pay them off, even at this high rate. The loan of 1848 was paid off at twenty per cent. premium. The loan of 1850, called the Texas indemnity, was paid off at a premium of nineteen and ninety-five hundredths per cent. So with other loans paid off at different times at a premium of from fourteen to twenty per cent. Many of the bonds I speak of, which were redeemed at this high premium, were sold originally below par.

I have shown, therefore, that it is important to us to reserve the right to redeem these bonds within a limited period of time, so that we may not in the future be compelled to pay high rates of premium.

The next question, on which there was a great deal of practical difficulty and great diversity of opinion, was the rate of interest. As a matter of course, we desire to have these bonds bear as low a rate of interest as is possible, but not to put them so low as to prevent their negotiation; and here an erroneous opinion prevails from a mistake of the facts as to the rate of interest paid by other governments. We are constantly told that Great Britain pays but three per cent. interest, and that her three per cents are worth eighty-five cents on the dollar. So they are; but what did Great Britain get for those three per cents? The average rate of depreciation when the three per cents were sold

was some thirty or forty per cent.; and, if the interest was now computed upon the amount received by Great Britain for these bonds, the rate of interest would be found to be between five and six per cent. So with other nations.

The rate of interest now paid by European powers is, on the average, about five per cent. I have tables here, and I might go into elaborate explanations of the various loans now in the money markets of the world; but it is sufficient to say that some of the strongest governments in the world are now selling their five per cent. bonds at a discount. We by this bill limit the Secretary of the Treasury to selling these bonds at par; he must get dollar for dollar in gold. All other governments in the world, in negotiating bonds, sell their bonds at a fixed limit of discount. Many of the English three per cents were sold as low as 65, and premiums were given besides in the nature of gratuities, lottery tickets, exchequer bills, and in various other forms; but we sell our bonds at par in gold, and therefore can not undertake to fix the rate of interest so low as gentlemen think we should. It is said we ought to borrow money at four per cent. I wish we could; but we know that practically it would be unavailing, futile, to enter the markets of the world in competition with all the enterprises of our time, attempting to borrow money at any such rate of interest.

Why, sir, although money has largely increased in quantity of late, although the gold of the world is perhaps double or treble what it was only a few years ago, the rate of interest has been constantly advancing. It is because modern nations are engaged in vast enterprises, creating more demands for capital. The railroads, telegraphs, and steamboats of this land of ours now absorb more capital than the business of the whole country did in 1820, the railroads alone absorbing over sixteen hundred million dollars. There are demands for money in this day and generation that our forefathers never conceived of. Time and space have been annihilated. All these circumstances tend to advance the rate of interest. When a merchant can send to Calcutta or to China and within a few days receive goods, he can afford to pay on his enterprises or his business a higher rate of interest than when he had to wait months for his orders to be executed. The railroads of the country are now selling their seven per cent. bonds payable in gold—among the best securities in the country—at a discount.

We must not forget these facts when we undertake to fix the rate of interest on our public securities. The only fear I have as to the success of this measure is on account of the rate of interest fixed. I should be very glad indeed to see our whole debt funded at five per cent. The Secretary of the Treasury was of the opinion that he could negotiate bonds bearing a less rate of interest for a portion of the public debt; but he is satisfied now that he can not negotiate a loan at less rates than those fixed in the bill. Any one who examines this question in the light of experience, in the light of modern facts, must be satisfied that a reduction of the rate of interest proposed in this bill is practically to defeat it, and we would better defeat it at once rather than undertake so futile a task.

The purpose for which these bonds are negotiated is coextensive

with the whole debt of the United States. Although the amount is fixed at \$1,200,000,000, yet there is authority to issue four per cent. bonds to an amount equal to the whole amount of the public debt, with no limitation whatever, except that the public debt shall not be increased. The proposition of the Senator from Massachusetts confined the operation of his bill to the first five-twenty bonds. But those five-twenty bonds have no claim upon us stronger than any other five-twenty bonds. It is true that they were the first issued, but they are no more burdensome upon us. We pay upon them six per cent. interest, and so do we upon the others. There is therefore no necessity, no object in discriminating in favor of these bonds, except to give the holders of them a monopoly of the new five per cent. bonds. This we did not think was wise, and hence we have proposed to put them all on the same footing.

We allow the United States notes to be converted into four per cent. bonds; and here is a question that no doubt will give rise to much contrariety of opinion. My own opinion would be that in justice and equity the United States notes ought to be converted into any of these bonds. Why? Because the notes are a debt of the highest obligation. They are due, they are payable, and no discrimination ought to be made against them. I can give no reason why the holder of a note should not have just as much for his note as the holder of a bond for his bond. But the result of such a provision would be rapidly to contract the currency, to withdraw the notes as a circulating medium, to derange business, to disorder the relations between debtor and creditor. Therefore, to avoid any contraction of that kind, we have provided that the notes may be funded into four per cent. bonds, and may be paid out again by the Secretary of the Treasury in the ordinary operations of the Government. To avoid even a possible but not probable undue and hasty contraction of the currency, we authorize him only to allow this conversion when in his judgment the public interest may be promoted by it. I have no doubt that it would be wiser to make it arbitrary, and give to the holder of the note the right at any time to demand a bond; but we have in that respect yielded to the Secretary's desire, that he may not be embarrassed by notes accumulating in the Treasury, or by any question or fear of the contraction of the currency.

Pacific Railroad bonds are excluded from the operation of this bill simply because they are not the bonds of the United States in one sense. We guarantee them, but we have no right to redeem them until the railroad company itself is a defaulter in paying not only the interest, but the principal of the bonds. They are left to stand on the basis of existing laws. We have no right to fund them, nor can they be embraced in this funding scheme.

The bonds of 1881 and the ten-forty bonds may be converted into these bonds at the discretion of the Secretary of the Treasury. As a matter of course, it will be for the interest of the United States to convert them. It is not likely that they will be funded into these new securities, but they will probably be paid off by the operations of the sinking fund when they mature. The only limitation upon the amount

authorized in this bill is the present debt of the United States. That can not in any event be exceeded.

Mr. President, there is another question of great difficulty, the question of taxation. The exemption of these bonds from State taxation is not a legislative question. If there was no provision in this bill about State taxation, they would not be taxable by the States, because by the Constitution of the United States itself, according to the decisions of the Supreme Court in many cases, no State can tax a Government security. This has been settled from 1819 down to this time by the concurrence of every judge who has sat upon the Supreme bench, in a series of decisions all speaking to the same effect, that under no possible circumstances can a State levy any tax upon a security of the Government of the United States. Why? Simply because the power to borrow money is necessary to our national existence, and if a State could tax the power of the United States to borrow money, it might just as well tax the soldiers of our army, our guns, and our gunpowder. It is a principle of constitutional law that no State can tax an agency of the Government necessary for its existence.

I know that in modern times, and within the last three or four years, demagogues have endeavored to make capital out of the exemption of our bonds from State taxation. But the fact is that they have always been so exempt, from the foundation of the Government to this hour. No State has ever been allowed to tax a Government security; and yet there was never any provision in any loan law prior to the war exempting them. They are exempted from the nature of things; and the first provision expressly exempting them was put into the act of 1862 merely as a notice, and not as the enunciation of a new principle. There is, therefore, no question upon the exemption of the bonds from State taxation.

Whether they should be exempt from national taxes is a much more difficult question. In equity there is no reason why the holder of a bond, enjoying in this country the interest derived from it, should not pay the income tax of the United States; and the only question was whether we could make more for the United States by discounting in advance this right to tax the income than we could by reserving the power to tax. I think it can be demonstrated as clearly as any proposition in arithmetic can be, that it is largely for the interest of the United States to make these bonds free and clear of all taxes, both State and national. Why? The bonds of the United States can not be subjected to national taxation except in one form, and that is the tax on income. No discriminating tax can be levied on United States bonds that would not be equally applicable to all other bonds in the country, because all taxes must be uniform throughout the United States; and it is impossible to tax a Government bond unless you tax also the bonds of railroad companies, of States, of all sorts of corporations, and all the various forms of indebtedness. Besides, there may be some question whether any tax upon property of this kind, fixed and acquired, is not a direct tax within the meaning of the Constitution; but I will not debate that question.

It is certain that no tax can be levied on these national securities

except the income tax, which is an indirect tax upon the income derived from Government securities. Now, if we reserve the power to tax the incomes on these \$1,200,000,000 of bonds, what do we gain by it? In the first place, all those that are held abroad in foreign countries are free from the operation of the tax. Not only that, but by our general law we exempt the income of all persons whose incomes are less than \$1,000 from taxation, whether they are derived from national securities or from any other source. All the bonds that are held by the national banks as the basis of their banking operations are now taxable, and will be in the future, in another way; so that practically we now do not receive from the tax upon income from Government bonds exceeding eight hundred thousand dollars all told. There are no definite returns made of internal revenue showing exactly the amount of the income tax derived from the interest upon Government securities; but the amount is very small, and probably does not exceed what I have just stated. Therefore the Committee, after a patient examination of the matter, deemed it to be for the interest of the United States, as a mere financial question, to discount in advance the right of the nation to tax the Government securities, in order that we might induce people to lend us money on bonds at a lower rate of interest, free from all taxes whatever. It is, however, a question for the Senate to determine.

Now, sir, with regard to the manner of the negotiation of these bonds, the bill leaves that substantially to the discretion of the Secretary of the Treasury. When you put upon him a great task like this, involving, if he succeeds, the saving of from eighteen to thirty-four millions per annum in gold, you can not hamper him with conditions. If you can not trust him, some one else ought to take his place. You must give him the necessary agencies and the necessary powers to carry on the operations of a great task like this. Therefore in this bill we have inserted the usual powers, which before and during the war were given to every Secretary of the Treasury, but which there is a continual disposition to carp at. I recall with pleasure the language of Mr. Fessenden, in his report to us in 1864, when Secretary of the Treasury, upon this very question of discretionary authority conferred upon the Secretary:

A wide discretion should be intrusted to the officer charged with the duty of negotiating loans, in order that he may be enabled to avoid unexpected difficulties occasioned by possible conditions of the money market. This delicate and responsible duty must necessarily be intrusted to somebody, and the people can have no other reliable security for faithfulness than may be found in the established character of the individual charged with so important a trust, whoever he may be.

Now, sir, what are the discretionary powers conferred on the Secretary of the Treasury? First, we authorize him to employ private agents; and it is proposed, to avoid this, to require all the operations of negotiating this loan to be done by the Treasury Department. Why, sir, this is practically impossible. Every nation in Europe, and our own nation in three memorable periods, have found it to be so. The machinery of the Treasury Department is not adapted for the negotiation of these loans. Even the powerful governments of Great Britain, of

Russia, of France, resort to private bankers or agents to carry on the operations of funding their debts. All railroad corporations and all associations seeking to borrow money in the money markets of the world must seek these intermediate agencies.

Three times during the war we tried to avoid it. Mr. Chase, when Secretary of the Treasury, tried to negotiate the five-twenty loan through the Treasury Department, and failed utterly for more than a year, until finally he, under similar authority to that conferred in this bill, employed private agents, who within six or eight months from that time sold the whole loan. So Mr. Fessenden, when Secretary of the Treasury, undertook to carry on a negotiation by the aid of the national banks and the Treasury Department, and he finally in his report said that he found himself unable to get the requisite money in that way, and was compelled to resort to private agencies. So with Mr. McCulloch under similar circumstances. Here the authority is conferred to employ agents with limited power and with limited pay; and if you will not trust the Secretary of the Treasury with these discretionary powers, of course you may so cripple and tie up his hands as to prevent him from negotiating the loan.

There is another difficulty presented, I think, for the first time in this bill. There is authority granted in this bill to employ foreign agents, or bankers in foreign countries. Although in some of the loan laws passed during the war the authority was granted to negotiate bonds in Europe, yet I do not find in any of the loan laws express authority to employ agents in foreign countries, although such agents have often been employed. But here the authority is expressly given. The reason for it is that the great mass of our public debt which can be funded at a low rate of interest is now held abroad. Mr. Wells, in his annual report, made here recently, estimates the amount held in Europe at \$1,000,000,000. I believe he has overstated it; but at the same time I believe it approaches \$1,000,000,000, and is about one half the funded debt of the United States. The rate of interest in foreign countries is lower than in this country, and it is therefore probable that we can negotiate bonds on more favorable terms abroad than here. All this is left to the discretion of the Secretary. He is authorized to negotiate bonds at home and abroad, and to do it either through the Treasury Department or private agents here or in Europe. He may also print on the face of the bond the authorization of the payment of interest in the coin of the country in which they are negotiated. He is authorized to pay the interest in thalers, in francs, in sterling, in order to avail himself of the lowest possible rate of interest.

I hope that this part of the measure will finally lead to what has been so eagerly sought for by the honorable Senator from Massachusetts and myself, an international coinage. It is very easy now, if we could approach this question as practical business men, to adopt a coinage unit as the standard for all the civilized nations of the world.

It has been a theme for poets and statesmen now for more than a generation. There is a concurrence of opinion in Europe and in America in favor of the adoption of a system of international coinage, which I believe will now lead to practical results. A very slight change in



the coinage of Germany, France, England, and our own country will enable us to make our national coins convertible one into the other without loss by exchange; and I have the hope that this measure, now for the first time transferred to our diplomatic service, will be brought about by the common consent of the different nations affected. It will be one of the greatest reforms in modern times when five francs will be a dollar, five dollars a pound sterling, ten florins a pound, and the eagle of America the international unit of the civilized world. Then the coin of all modern nations may travel anywhere in the pockets of the citizens of all nations, interchangeable in every country, its value fixed upon its face, and of universal circulation. I have no doubt that this measure will tend eventually to the adoption of such a system of international coinage, and in that aspect will be a scientific as well as a financial benefit.

I wish now, Mr. President, to call the attention of the Senate very briefly to the sinking-fund section of this bill. Section seven provides for the appropriation from the duties on imported goods of \$150,000,000 in gold per annum, applicable first to the payment of the interest and then to the payment of the principal. The amount of the interest on the public debt is now about \$125,000,000, so that this is an appropriation of \$25,000,000, or one per cent. of the principal, to be kept as a perpetual sinking fund, the operation of which will pay off every dollar of our indebtedness, old and new, in from twenty-five to thirty years, depending somewhat on the changes in the value of our bonds.

This is not only a wise financial policy, but it is the result of an express stipulation in the law. In the act to which I referred a while ago, of February 25, 1862, we stipulated that until the debt was paid we would appropriate one per cent. of its amount every year to form a sinking fund for the extinguishment of the principal. This bill organizes the sinking fund on a new plan, which, without any risk of misapplication, will extinguish the debt within the period stipulated in the bonds. The United States has in substance faithfully and honestly observed this stipulation. During the war it could not do it; it was idle to attempt it. During war a sinking fund is a delusion; it can not operate except from a surplus revenue. All the theories that have grown out of the experiment in England have been shown to be delusive, except in a state of peace, and when there was a surplus revenue. Then the application of a sinking fund is like Aladdin's lamp, it works wonders.

I said that the United States had constantly maintained the integrity of the sinking fund, not in the form provided by the law, but by an actual payment of a greater amount of the debt than was stipulated. I have in my hand a table, showing the amount paid each year since the close of the war on the principal of the public debt.

On the 1st of March, 1866, our debt reached the highest figure. It then amounted to \$2,823,924,959; or, deducting the cash in the Treasury, to \$2,707,906,000. From the 1st of March, 1866, to the 1st of March, 1867, we paid of the principal of this debt \$190,064,110; from the 1st of March, 1867, to the 1st of March, 1868, we paid \$20,482,266; from the 1st of March, 1868, to the 1st of March, 1869, we paid

\$5,959,918; from the 1st of March, 1869, to the 1st of March, 1870, to-morrow, estimating for a few days, we have paid \$86,695,620 of our bonded indebtedness; making an actual payment in four years of \$303,201,725, or an average annual payment on the ascertained debt during the last four years of \$75,800,431.

Not only that, but we have paid in addition a large mass of unliquidated debt. I have in my hand a statement or estimate prepared by the Secretary of the Treasury, showing that during four years we have paid \$777,540,634 of unliquidated debt, in addition to the \$303,201,725 of the principal of the liquidated debt; making the total payments on the debt, besides interest, over \$1,000,000,000 in four years. This unliquidated debt consisted of supplies furnished, of unpaid requisitions, of bounties and back pay, and other debts in various forms outstanding, not entered on the books of the Treasury, but just as much the debt of the country as five-twenty bonds. All these have been paid from the ordinary revenues of the Government in addition to the \$303,000,000 of bonds. It is believed that it is high time the people of the United States should be somewhat relieved from such large payments, and that the policy requiring them should be suspended; but we should faithfully carry out the obligation of the contract, and pay at least one per cent. annually.

Mr. President, I have shown above that during the 'present year, the first year of General Grant's administration, we have paid \$86,000,000 of the public debt; and that during the last year of Mr. Johnson's administration there were only five or six millions of the public debt paid under the same revenue laws. This presents a favorable aspect for the party to which the great majority of the Senate belong. I wish to carry the comparison a little further. I have a table here showing the receipts and expenditures of the last year of Mr. Johnson's administration compared with the receipts and expenses of the first year of General Grant's administration, and the result is highly favorable to the Republican party. Although I do not intend to drag into this discussion anything like political controversy, yet it is due to the Administration that these official figures should be put on record, so that it may have the benefit of the credit due to its management of our public finances. The income of the Government from March 1, 1868, to March 1, 1869, was as follows:

From customs.....	\$176,200,692 79
From internal revenue.....	165,138,168 99
From other sources.....	36,929,656 99
Total.....	<u>\$368,268,518 77</u>

The income from March 1, 1869, to March 1, 1870 (estimating for the last six days of the year, from February 22 to February 28), will be:

From customs.....	\$179,956,748 85
From internal revenue.....	175,467,141 04
From other sources.....	39,535,213 93
Total.....	<u>\$394,959,098 82</u>
Income in 1868-'69.....	<u>368,268,518 77</u>

Increase in favor of 1869-'70..... \$26,690,580 05

This statement is not absolutely correct, because the accounts of the Department are kept by quarters and not by months, but it is very nearly so, and may be relied on for any ordinary purposes of comparison.

The total expenditures from March 1, 1868, to February 1, 1869, were. . . . .	\$327,067,284 53
The total expenditures from March 1, 1869, to February 1, 1870, were . . . . .	271,927,303 09
Decrease in expenses. . . . .	\$55,139,981 44
Increase of income. . . . .	26,690,580 05
Balance in favor of Grant's administration. . . . .	\$81,830,561 49
Actual payment of the public debt since March 1, 1869, to February 1, 1870. . . . .	\$80,649,971 09
Estimated payment in February, 1870. . . . .	6,000,000 00
Total. . . . .	\$86,649,971 09
Reduction of public debt from March 1, 1868, to March 1, 1869. . . . .	5,959,718 46
Amount of public debt paid in first year of Grant's administration in excess of last year of Johnson's administration. . . . .	\$80,690,252 63

The last year of Mr. Johnson's administration diminished the principal of the public debt but a little over five millions, while, as I have already shown, there has actually been paid upon the public debt during the first year of this administration \$86,649,971; and nearly all the money that has been paid upon the public debt in the past year has been derived from the saving in expenditures and the increased collection of revenues under the same laws. These are simply facts derived from official sources, and inure greatly to the benefit of the present administration. I only hope it will go on and do better in the future.

Mr. President, the three remaining sections of this bill apply to the national banks. That is much too great a theme for me to enter upon at this stage of the debate; but I will explain in a very few words the theory of those sections. The national banks are mere creatures of law. They hold their existence at the pleasure of Congress. We may tomorrow, if it promotes the public interests, withdraw their authority. Their franchise has been valuable to them. We think it right that they should aid us in funding the public debt. They hold of our securities \$346,000,000. Nearly all of these bear six per cent. interest in coin. We will not deprive them of any of them; we will not take from them the property they enjoy; we will not deny them even the payment of six per cent. gold interest as long as they are the owners of these bonds. But they hold the franchise of issuing paper money guaranteed by the United States, which constitutes the circulation of our country; and we say that, enjoying that franchise, we now stipulate with them for the reduction of interest on the bonds they hold. The provisions of this bill are not arbitrary; they are not harsh; they do not take from the national banks any right which they enjoy, except one confessedly at our pleasure. If they are not content to enjoy their franchise on the terms proposed, they can retire.

As to new banks which may be organized under the free-banking section, it is easier for them to engage in banking under this bill than under the old law, because they can go to the Treasury and buy bonds at par in currency, and upon these receive circulating notes, and a cor-

responding amount of legal tenders will be then canceled. The new banks may issue in circulating notes four fifths of the amount of their bonds under the terms and conditions of the banking act, while, if they were now required to go into the market to buy bonds with which to start new banks, they would be compelled to pay a premium of from ten to twenty per cent. for the existing bonds, and then could issue only ninety per cent. of the amount of the principal of the bonds.

I think it is very clear that under the last section of the bill the banking system becomes free, and old and new banks are on an equal footing; but if it is not clear, it ought to be made so. The section is intended to be a free-banking law, opening wide the door for the organization of banks to any extent, only upon condition that an equal amount of greenbacks shall be retired as the new notes are issued. That is the purpose. The only limitation on it is the amount of greenbacks now outstanding; and when they are exhausted, it will be for Congress to determine whether we shall go further.

Such, sir, are the general provisions of this bill. The great object is the reduction of the interest of the public debt. If the \$1,200,000,000 proposed is taken, it will be a reduction of our annual taxes of \$18,000,000 of gold, representing a capital at five per cent. of \$360,000,000; and the incidental results of this measure will be as beneficial as the direct saving of the public treasure. A policy will be adopted, by fixing the minimum to be applied to the payment of the public debt, that will enable us to ascertain precisely the amount of necessary taxes. The public debt will be represented by an annuity of \$150,000,000, which will pay every dollar of it within thirty years. Our taxes can then be measured by our appropriations, with the constantly pressing lesson that every new appropriation is a new tax, and every saving of appropriation is the repeal of a part of the most burdensome of existing taxes. And, sir, the tendency of the measure is to the return of specie payments. We now again restore to the United States note its quality of redeemableness, a quality which was taken from it under the pressure of the war, and which when restored to it will give it value and stability, will place it beyond the range of mere gamblers, and will firmly anchor it upon the credit of interest-bearing securities, so that while specie payments are suspended the note will not fall in market value below the value of the bonds. Having thus fixed a mode of redemption and a limit of depreciation, you may hope soon to see these broken promises redeemed and their places supplied with paper money, convertible at pleasure into gold or silver coin.

And, sir, the beneficial effect of this measure will be seen in the reduction of the rate of interest on capital employed in private enterprise, which by the usurious rates paid by the Government during the war has been forced to an average in the United States of ten per cent. This unnatural rate has tended to deter new enterprises, to accumulate capital, and to increase prices; for interest is a large element in the cost of all commodities.

The national banks will be required to aid us by some sacrifices on their part, but even this is voluntary with each bank. If any of them do not choose to enjoy a privilege conferred and held at the pleasure

of Congress, they are at liberty to take their property and retire. Others will gladly avail themselves of the privilege of buying these bonds, with the right to issue four fifths of their amount in paper money upon their security. If bankers, whose profits have been largely increased by the high premium in gold received of the Government, will not now aid us to reduce our interest, let them take their money and try other investments if they will. I would not violate in the slightest degree any promise made to them; but the probable effect of this measure in reducing their dividends does not excite my sympathy, nor do I believe it will deprive us of any of the banks or banking capital necessary to the good of the people. Under this system, as it will remain under this bill, these bonds will be the most remunerative and attractive investment for idle capital managed in the interest of those not willing or able to manage it by personal care.

And, sir, another beneficial effect of this measure, if adopted, is that we will have a financial policy. The broken threads made by the revolutionary expedients of the war will be tied again. Business men can know what to rely upon. They will not have to look daily to the Treasury Department for its bulletin of the sale of gold or of bonds; they will not have to depend upon an inflexible and arbitrary limit of a currency which is not measured in value by gold, bonds, or anything, which is redeemable in nothing but taxes, and the price of which may at any time be affected by speculation; they will not have to compete with the United States in the money markets to borrow at a usurious interest. No longer will there be doubts as to the terms of our outstanding bonds. The danger, I trust a remote one, of a political party coming into power pledged to repudiation, will be put to rest. No one could raise the question of taxing bonds bearing so low a rate as these, on which the taxes are so plainly discounted and reserved in advance by the United States.

As to the practicability of this measure, the only doubt I have upon it rests upon the ability of the Secretary of the Treasury to negotiate a bond having a less rate of interest than five per cent.; but as he is confident that he can do so, I am willing that he should try, and am willing to give him every aid and power that will tend to make his effort a success. If he succeeds, he will deserve the higher credit. That he can fund the debt at five per cent. I have not a doubt. If he does better, he will have the thanks of his countrymen, and should receive from Congress every aid and facility it is possible for us to give him.

To the extent that these bonds are made the basis of banking, their sale is practicable and just. Beyond that it will depend upon the confidence of capitalists in the public faith, in the development of our resources, and in the willingness of our people to bear for a while the burden of taxation. Nothing can aid so much as strict economy and a surplus revenue. Money saved or collected now will be saved to our people many times in the lessening of the taxes in the future.

This is not the time to discuss the question whether, while the funding process is going on, it is wise to reduce our taxes. That question will be distinctly presented when the tax and tariff bills come to

us from the House. It is clear enough that in a short time we shall be able to reduce largely our internal taxes and confine their operation to a few articles. I hope we shall not complicate this bill by a premature discussion as to the kind of taxes to be first repealed. We know well that, if this measure is a success, we can go much further in the repeal of taxes than if we continue to pay six per cent. interest on our debt. The question of taxation is subordinate to and should be dealt with so as to promote the success of this measure. If by maintaining our present taxes for a year we can secure the permanent reduction of our interest, it would be an act of statesmanship to do so, even though the taxes are heavy.

A surplus revenue is the most effective agency to employ for the reduction of the interest of the debt; but it is equally clear that diminished expenditure and postponement to the future of new objects of expenditure will promote the success of this measure. If we are now wise enough to act in harmony with the policy of the President, if we will now reduce expenses and maintain taxes, we can by the success of this measure pave the way for a very large reduction the moment our debt is funded. With a surplus of \$100,000,000, with the increased value given to our bonds by a postponement of the payment of the principal, with power to borrow and pay money when money is the cheapest, and, above all, with the confidence that will be inspired by a fixed financial policy, I am confident that the whole \$1,200,000,000 provided by this bill may be placed at par within a reasonable time.

And, sir, one of the most effective agencies in the success of this measure is the information now universally diffused throughout the civilized world of our great power and resources. Before the war the power claimed for the several States kept us in the money market as a confederacy of States, and not as a nation. Slavery threatened us with a perpetual civil war; it mingled in all our political contests, arrayed us into sectional parties, and in the judgment of sagacious statesmen was to tear the fabric of republican government from turret to foundation stone. All this is happily ended. No interest or faction threatens the national authority. Forty-two millions of free people, confessedly among the most enterprising and intelligent of the human race, with a Government tested in civil and foreign war, securing to all the equal benefit of the laws, the privilege of free education and religion, the protection of property, and equality in every field of enterprise, inhabiting a vast region in the fairest portion of a great continent filled with undeveloped resources, furnish a guaranty of public credit as strong as any human government can offer. With such advantages, now universally appreciated, we may with reasonable confidence hope to sell our bonds on as favorable terms as any nation of the world.

But, sir, whether we succeed in negotiating all the bonds provided for in this bill, or fail in some of them, we can assure the Senate that this measure, to any extent to which its provisions can be enforced, will tend to the public interests.

This bill does not undertake arbitrarily to fix a day for the resumption of specie payments. Human wisdom can not foresee a guard

against the numberless contingencies that affect our power to resume. The attempt to fix a day will only invite a severe contraction or a hoarding of currency, and thus make more difficult actual resumption. Nor does this bill provide for an arbitrary contraction of the currency. To the extent that currency flows into the Treasury in payment for four per cent. bonds, and is not paid out for ordinary wants, its volume will be reduced, but only when its exchange for such bonds shall absolutely demonstrate its redundancy.

As bank notes are issued, United States notes will be retired, thus changing the burden of resumption from the United States to the banks by their voluntary consent. There is no possible inflation of the currency, and I can not conceive a state of facts that would induce me to enlarge its volume until it is redeemable in gold and silver coin. All we can say is that this bill, so far as it affects our paper currency, will increase its value and bring it nearer and nearer to the gold standard.

Sir, we have seen many changes in the progress of the great events through which we have passed. We have seen our country nobly passing through the greatest civil war of modern times. We have seen slavery abolished, and liberty and political rights secured to all our citizens. We have passed through financial difficulties without taint of dishonor. If we can now restore our suspended notes, the favorite currency of our people, by a gradual process of appreciation, to the constitutional standard, we shall have witnessed from the beginning to the end the most remarkable era in the history of any people.

With the firm faith that this measure will tend to this result, I ask for it the considerate judgment of the Senate.

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## FUNDING BILL.

*IN THE SENATE, MARCH 2, 1870.*

THE bill to authorize the refunding and consolidation of the national debt, to extend banking facilities, and to establish specie payments, being before the Senate, Mr. Sherman said :

I WOULD like to inquire of the honorable Senator from Massachusetts why it is that he desires to give the holders of the first five-twenty bonds a monopoly of this five per cent. loan? Is the obligation of a five-twenty bond of 1862 any stronger, or is it more oppressive to the United States, than any other five-twenty bond? Is there any greater obligation to pay the first issue of \$500,000,000 of five-twenty bonds than any others? Is it more advantageous to the United States to redeem it than any other loan? It is now held abroad almost entirely, in masses in a few hands. Why give to the holders of that loan the monopoly of the new five per cents., and refuse them to any other class of creditors? I never could make up my mind to accept that.

The Senator gives us a poetic reason: somebody has opposed the

old five-twenties and threatened to pay them off in greenbacks; and in order to resent that insult on the public credit he is determined to give them a monopoly and the advantage of an annuity of one half per cent. per year in order to wipe out that stigma. I do not think there is any occasion to do that. All the five-twenties stand on the same footing. They are all issued under the same law, the act of February 25, 1862. They are all equally burdensome. One thousand million dollars of them are now redeemable. It is no more the interest of the United States to redeem one than another; it is its interest to redeem them all; and why give five per cents to the holders of the first five-twenties, and probably only four and a half per cents to the holders of the others, unless the poetical idea of my honorable friend is a sufficient reason? I can not answer the question myself. Perhaps he can. In regard to the other points I may as well answer the honorable Senator now while I am up.

In spite of the dread of which the Senator from Massachusetts complained as having hung over the five-twenties of 1862, they have, until within a year past, taken the lead in the market, and sold higher than any bonds we have had, even the long loan of 1881.

The talk about paying them off in that way has not injured them. It seems to me if we pay them off with gold at par, when most of them were sold by the United States at about seventy or eighty cents on the dollar, we wipe out any stigma that may have been cast on them.

But I may as well now reply to one or two other points made by the honorable Senator, so that I need not recur to them again. He says that the amount of five per cents should be \$500,000,000 instead of \$400,000,000. The answer to that, as I stated the other day, is that the Secretary is of opinion, which he has now repeated in the most solemn form, that with \$400,000,000 of five per cents he can redeem all the debt that is now desirable to redeem. I have always had doubts about his ability to redeem the mass of the six per cent. debts with any bonds at a less rate of interest than five per cent. I am rather disposed to concur in the opinion expressed by the honorable Senator from Connecticut on that point; but when the officer of the Government who is called upon to discharge this duty tells us distinctly that this is all he wants of five per cent. securities, it seems to me that it is idle and wrong for us to force on him a greater amount at that rate of interest. That is the only answer. Four hundred million dollars at the higher rate will be sufficient; and the total \$1,200,000,000 will be probably all that will be necessary to fund the six per cents.

The Senator from Massachusetts says that we have reduced the time for the payment of these bonds from forty to twenty years. I do not regard that as very material. If we reserve the right to redeem after ten years, I do not deem it important whether the absolute payment of the debt is fixed at twenty, forty, or one hundred years. The right to redeem after ten years is all that is necessary, and that should be reserved in every form of loan. But we wish to hold out to the world, in the negotiation of these bonds, the fact that we do not intend to abandon the American system of paying our debt within the generation that contracted it. That is the idea. We therefore stipulate to



pay each of these classes of bonds absolutely within twenty, thirty, or forty years. That was the idea first advanced by Alexander Hamilton, and maintained by this Government without exception to this hour; and now, when we are about to fund the debt, I do not wish to surrender the idea that we shall absolutely pay it all within forty years, and that we shall absolutely pay off these five per cent. bonds in twenty years. Does any Senator doubt our ability or our disposition to do it? No one can doubt it. The operation of the sinking fund alone will probably pay off the debt before the time that the bonds are payable. Therefore, I think it is well to maintain in this bill the affirmation of the distinct policy of the Government to pay the principal of the whole debt within forty years.

The only other point to which I wish to reply is as to the rapid payment of the public debt. The honorable Senator objects that the seventh section provides for its too rapid payment. It simply provides what we agreed to pay. We are just as much bound to pay each year one per cent. of the principal of the debt contracted under the act of February 25, 1862, as we are bound to pay six per cent. interest on the five-twenty loans. But the Senator says that now we can make a new bargain, we can change the terms of the act of February 25, 1862.

The fifth section of the act of February 25, 1862, providing for the payment of this one per cent., applies to all the debt; and every five-twenty bond now outstanding in the market is issued under the original act of February 25, 1862. The amount only is enlarged; but all the subsequent issues are of the same character and description, having the same rates and the same qualities as those issued under the original act. So it has been regarded by all departments of the Government. The one per cent. clause applies to the whole public debt, most of which was created under the act of February 25, 1862.

So this is a stipulation; it is what we have agreed to do. We agreed in that act that we would apply one per cent. of the principal of the debt to the payment of the debt. The debt is now \$2,500,000,000. One per cent. is \$25,000,000, and that must not only be applied every year, but it must be applied in the nature of a sinking fund; that is, as the principal decreases the amount applied should be increased *pari passu*; so that this is but the organization of a sinking fund. It was not organized before for the reason stated by the Secretary of the Treasury, but the United States has always paid the \$25,000,000 a year, and more too. Now, the question is whether, when we were about to repeal taxes, we shall not keep in view the obligation incurred by us during the war, and pay at least \$25,000,000 in the nature of a sinking fund on the principal of the public debt.

The objections made by both these Senators to the payment of the interest of the new bonds abroad, and especially to the employment of foreign agents, have a great deal of force in them. The answer is, however, that by the employment of foreign agents, especially by the employment of leading bankers abroad, we can place our loans at a lower rate of interest. One thousand millions of this debt are now scattered all over Europe, a considerable part of it in the remotest parts. It is proposed now to employ agents scattered all over Europe to help

us place it. If by doing so we can save money, it is better for us to do it. It is true it shocks a little my American pride to pay interest abroad; but other nations do it; and if we can reduce the interest to the low rates proposed by this bill by paying a portion abroad, I see no objection to it.

There is no cost about it. It costs nothing, except the possible loss of interest from the time of transmitting coin or exchange up to the date of the payment of the interest, because there is probably not a banker in Europe who would not be very glad to keep this account without charging anything, and even perhaps allowing us interest on the balances from time to time. Now, and for years past, an account has been kept by the American Government with a leading banking-house in London on these terms. They pay drafts drawn by the Government of the United States on Europe without cost to the United States, and allow, I believe, a small rate of interest on the amounts accumulated from time to time for that purpose.

I prefer to say first what I have to say in regard to the last clause of the sixth section, which appropriates not exceeding one per cent. of the amount of bonds herein authorized to pay the expenses of preparing, issuing, and disposing of them.

This clause is taken from several of the loan laws passed during the war. Indeed, this clause, with some modifications, has been contained in all the loan laws passed from 1862 to this time. The same clause, different in form however, was in the old laws from the foundation of the Government. Sometimes the loan laws limited the amount of commissions allowed to agents to one eighth, sometimes to one tenth, and sometimes to one fourth of one per cent., and made direct appropriations for the other expenses of the various loans. When the Finance Committee reported this bill we inserted this usual clause of the loan laws. Here a very strange thing occurred, to which I wish to invite the attention of the Senate. No sooner was this bill reported than it was proclaimed all over the United States that the Senator from Massachusetts [Mr. Wilson] had a plan to submit to the Senate by which this appropriation of one per cent. was to be saved, and it was intimated in the public prints and by telegrams that this one per cent. was a vast corruption fund, or something of that kind, of \$12,000,000, and that the Senator from Massachusetts was to propose an amendment or modification to it. About the same time the other Senator from Massachusetts [Mr. Sumner] introduced three or four or five sheets of amendments, touching almost every line and clause of the bill except this. This particular clause was contained in his funding bill, also submitted to the Committee on Finance.

As this was the ordinary discretionary power heretofore conferred, it excited my surprise somewhat to find a contest made on it, especially when it was sought to create a false impression in regard to the appropriation of one per cent. I was induced, therefore, to examine a little more carefully into this enormous, as was alleged, discretionary power given to the Secretary of the Treasury. When I came to examine the old laws I found that the same discretion had been conferred on Secretary Chase, on Secretary Fessenden, and Secretary McCulloch, in pre-

cisely the same language. The present Secretary of the Treasury, a citizen of Massachusetts, is a comparative stranger to me, but known to me as a distinguished Representative of that State in the House of Representatives, and as a gentleman who has earned a good deal of credit, and I think deservedly, for his management of our finances during the past year.

Mr. President, the loans negotiated during the war did not throw upon the Secretary anything like the difficult task that is thrown upon Mr. Boutwell by the operation of this bill. The original five-twenty loan, the law authorizing which contains the same clause and empowers Secretary Chase to negotiate \$500,000,000 on certain terms, was not so difficult a task as is now to be imposed upon Secretary Boutwell. Why? Because that loan was to be sold at par for paper money, and before we undertook to sell the five-twenty loan we depreciated the paper money by issuing first \$150,000,000 of legal tenders, then another \$150,000,000, and then another \$150,000,000; and it was not until \$450,000,000 were outstanding and largely depreciated in the money market that we undertook to sell the bonds at par in paper money, or at about seventy-five cents on the dollar in gold. That was a much easier task than the task of selling \$1,200,000,000 bonds bearing a much lower rate of interest, for gold at par.

So with the task thrown on Secretary Fessenden. At that time paper money was worth but fifty cents on the dollar; and we authorized him to sell six per cent. bonds at par in this paper money, and gave him, without a single objection in either House, the discretionary authority to use as the cost of negotiation an amount not to exceed one per cent. That is all the discretion contained in this bill. His task was comparatively an easy one. So with Mr. McCulloch. By the act of July, 1866, we continued this one per cent. on the loans and exchanges authorized by the act of April, 1866.

In all those cases this authority was carefully and wisely used. I hold in my hand a letter of the Secretary of the Treasury, transmitting a full account of all the sales of bonds of the United States from the beginning of the war until 1867, which shows precisely what each of those three gentlemen did, how much commission they paid on the sale of gold, the sale of bonds, and all the various transactions of the Treasury carefully analyzed. Here is the correspondence also of those Secretaries, showing who were employed, the time and circumstances of the employment, and the amount paid; and it will be perceived that they each discharged this duty with great care and fidelity.

It seemed, therefore, natural to the Committee on Finance that, in imposing on Mr. Secretary Boutwell a task far more difficult, requiring him to sell these bonds at par in gold at low rates of interest, five, four and a half, and four per cent., to the amount of \$1,200,000,000, we at least ought to be willing to give him the ordinary means and facilities with which previous Secretaries had been intrusted, and by which they executed their trust; but it seems that there is objection all at once to granting the necessary power. The honorable Senator from Pennsylvania [Mr. Cameron] even proposes to strike out all appropriations for expenses; in other words, the Secretary must print these bonds at his

own expense; he must negotiate them at his own expense; he must engrave them at his own expense; no provision is to be made for carrying on the vast operations of this great task. He is to employ agents at home and abroad. Our present bonds are scattered as far as Christian civilization goes. They are now, according to the documents I have on my table, spread all over Europe, in its remotest parts. He is expected to gather up all these bonds, prevail on the holders of them to surrender their six per cent. bonds, and take a bond bearing a less rate of interest, without cost to the Treasury, without any facilities, without money to employ agents, without even money to purchase the paper on which the promise of the United States is printed! That is not the way we ought to treat our executive officers. We ought to trust them with ordinary discretionary power, and hold them strictly and rigidly responsible for the execution of the trust.

As soon as I saw this opposition to giving to the Secretary of the Treasury the ordinary necessary facilities for carrying on the loan, I addressed a letter to him calling his attention to the fact, and asking him whether he could not take less and accomplish the task. It is true that for every \$100 of these bonds he sells he saves to us an annuity of not less than one dollar until the whole debt is paid, and at a cost not to exceed one dollar, which is equivalent to at least twenty times the amount we pay. No bond will be sold at an expense beyond one per cent. That is the saving of one year in the rate of interest. Thus, off the sale of the first \$400,000,000 of five per cent. bonds he saves \$4,000,000 per annum until the whole of the debt is paid, at an expense of \$4,000,000. Off the sales of the second \$400,000,000 he saves \$6,000,000 per annum at an expense of \$4,000,000. Off sales of the third \$400,000,000 he saves \$8,000,000 per annum at an expense of \$4,000,000.

Here is his reply to my letter, which I send to the desk to be read.

The Secretary read as follows:

TREASURY DEPARTMENT, *March 2, 1870.*

SIR: In reply to your communication of this date I have the honor to say that it is impossible for me to estimate with a reasonable degree of accuracy the probable expense of negotiating the proposed loan—preparing, printing, issuing the bonds, and negotiating the same in the United States and Europe. I have no doubt that the one per cent. named in the bill will exceed the aggregate charges, but I should not consider it wise to reduce the appropriation, as any deficiency under the existing general laws would put it out of the power of the Secretary of the Treasury to proceed in the negotiation, and thus the object of the proposed legislation would be defeated.

In reply to your suggestion, that a proposition will be made to impose the work upon the officials of the Treasury Department exclusively, I have the honor to say that that proposition, if adopted, would put it out of the power of the Department to place the new loan. A large amount of our bonds are held in Europe, and the holders of them can only be reached through bankers of reputation and influence in various countries, and I presume it will be found necessary to employ them to negotiate the loan upon a commission. That commission will, of course, be a small fraction only of the one per cent. proposed as the total expense.

I have not entered into negotiations for the purpose of ascertaining at what rate they would undertake the business; but I may say that it will be accepted by the leading bankers at the lowest rates at which such business is ever done.

Very respectfully,

GEORGE S. BOUTWELL, *Secretary.*

HON. JOHN SHEERMAN, *Chairman Committee on Finance, United States Senate.*

After the receipt of that letter, not entirely satisfied yet, I made an examination of the cost of various loans by the United States and by European nations. I found that the first five-twenty loan cost us three eighths of one per cent. for agents; the second, the large loan made by Mr. Fessenden in 1864, cost three fourths of one per cent. I have here a very instructive letter by Mr. Fessenden, which I will not now ask to have read, showing the reason why he finally employed the agents he did employ on the 28th of January, 1865. The amount paid by him was three fourths of one per cent., far more than is necessary now; but the circumstances under which it was paid, I think, clearly justified him in making that allowance. So Mr. McCulloch, according to the reports on the table, paid one eighth of one per cent.

In conversation with the Secretary I suggested that all that part of the loan to be taken by the national banks might be negotiated without cost. Undoubtedly no commission would be paid in a case of that kind; so far as the loan might be taken as a domestic loan, it might possibly be sold to some extent by the officers of the Treasury Department, although they have not the ordinary means and facilities for doing that business. No private persons would attempt to sell a loan of this kind without employing the ordinary banking agencies of the world. It must be remembered that \$1,000,000,000 of our bonded debt is held in Europe. All of these bonds must necessarily be sold in Europe, except probably the five per cents, or a portion of them, and those that are absorbed by the banks. We know very well that an attempt to put a loan upon the American market now at four and a half or four per cent. would be utterly idle.

This bill is based on the idea that we may place the four and four and a half per cents abroad, and thus get gold to redeem the six per cent. bonds which are scattered all over Europe. How can the Secretary do it? He must employ bankers and agents, and pay them. He has no agent of the Treasury Department in Europe, where the loan must be negotiated. How can he expect persons to engage in this business without the ordinary facilities and profits? If you can sell the bonds at the rates proposed it is because \$1,000,000,000 of our six per cent. bonds are held abroad; and by the sale of a loan there at a smaller rate of interest, extending the time, we may get money to pay them off. Therefore we must make the terms of this law so that the Secretary can have the means and facilities for negotiating them abroad. When I came to examine into the cost of foreign loans I found that the cost of the Russian loan was two and a half per cent. for commissions. The long loans of various governments of Europe have cost from one to five per cent., and even the cost of the loans of England through the Bank of England has been very nearly the rate proposed in this bill.

Under these circumstances the attempt to reduce the power of the Secretary of the Treasury, and to take away the discretion necessary to be placed upon him in the negotiation of this loan, is an attempt to defeat this bill and to cast a discredit upon him.

I have addressed him a second letter, expressing the hope that he

might be able to see his way clear to lower the rate of commission, and have received the following letter in reply :

TREASURY DEPARTMENT, *March 7, 1870.*

SIR: I take the liberty of inclosing to you two extracts from letters received from the United States consul at Sonneberg, under date of February 10, 1870, and from the United States consul at Amsterdam, dated February 12, 1870, relating to the bonds and credit of the United States in Europe.

I am unable to ascertain the cost to European governments of negotiating loans made by them; but I understand that the recent Russian loan cost that Government about two and a half per cent. This statement, however, can not be regarded as authentic. I find from an examination of Executive Document No. 265 of the Fortieth Congress, second session, printed by the House of Representatives, that the commissions allowed to bankers have generally been at the rate of one eighth of one per cent. upon the amount negotiated. In some instances a larger amount has been paid. The correspondence commencing on page 151 of that document contains further information upon the subject. I also refer in this connection to Executive Document No. 52, second session Thirty-ninth Congress; No. 34, second session Fortieth Congress; No. 265, second session Fortieth Congress; and No. 26, third session Fortieth Congress.

I have had a careful estimate of the expense of the engraving, paper, and printing made, and find that it is not likely to exceed one eighth of one per cent. of the amount of the bonds issued. It will be necessary to make some allowance, perhaps, in addition to this, as the average cost will depend materially upon the amount of the several denominations issued. It will be necessary also to make some allowance for advertising and other incidental expenses. It, however, seems to me certain that the entire expense of placing the loan will not exceed one half of one per cent.

You will recollect that the appropriation named in the bill now before the Senate was in accordance with the previous practice of the Government, and was not the result of any investigation either upon my part or on the part of the Committee as far as I know. If it shall seem desirable to the Committee or to the Senate to limit the appropriation to one half of one per cent. I think it safe to do so; and yet I am prepared to say that the expense will not be increased by allowing the appropriation to remain at one per cent. Very respectfully,

GEORGE S. BOUTWELL, *Secretary.*

Hon. JOHN SHERMAN, *Chairman Committee on Finance, United States Senate.*

The Senate is now in possession of the facts, and will do as it deems best. The expense figured within the lowest limit, in the bounds of reason, is reduced to one half of one per cent.; so that we can save \$18,000,000 a year at a cost of \$6,000,000. Now, what ought to be done by sensible men under the circumstances? I say we ought to give to the Secretary of the Treasury, who is to perform this difficult task, the same discretion that was conferred upon previous Secretaries under circumstances much less difficult.

With these facts before us, with the statement that he may possibly be able to confine the expenditures for this loan to one half of one per cent., we ought to deal with him in a manly way; treat him with confidence and respect; give him the discretion to expend not to exceed one per cent., and then hold him to a strict responsibility for the accurate and proper expenditure of this public money. Why, sir, every day in the appropriations made by law in our ordinary appropriation bills, in the usual progress of our daily administration, we intrust such discretionary powers to high officers of the Government. We certainly can confide for the faithful execution of the trust in the present Secretary of the Treasury. We ought not now to dishonor this

loan or to dishonor this attempt, and tie up his hands and weaken him in the slightest degree by any limitation of the ordinary discretionary power conferred on the Secretary of the Treasury under such circumstances. If he can accomplish the task at one per cent. he will have achieved one of the greatest wonders of modern finance. If he should fail because his hands are tied, then you are responsible, not he.

It may be that in many cases it will cost nothing; in many cases but one eighth of one per cent.; but in some cases—for instance, in remote countries in the negotiation of the four or the four and a half per cent. loans, where the amounts held are comparatively small, as say in a single district in a remote part of Germany—it may cost the full amount of one per cent. Suppose it does; we gain far more than we lose. My opinion, then, is that it is better on the whole to let the bill stand as it is in this respect; but if Senators wish to tie the Secretary down to what he now says is the lowest limit within which it is possible for him to undertake to negotiate the loan, one half of one per cent., then I do say that if there is any fault or any failure it is yours, not his.

Now, Mr. President, in regard to the appointment of agents. I need not here argue the question that agents are necessary, and that the Treasury Department is not so organized as to perform this duty. In all the loan laws from the foundation of the Government, which I have before me, the employment of agents has been provided for, except in a few cases where the loans were awarded upon advertisement. Sometimes in years of peace a small loan has been given out upon ordinary advertisement; but it was shown in those cases that the bonds after they were sold advanced, and the bankers who bought them made two, three, or four per cent. profit, resulting from the fact that in the sale of bonds by public advertisement the bankers have a monopoly of the market. Hence it has been customary in our loan laws to authorize the employment of agents in Europe and in the United States to any number that the Secretary might deem proper.

In the fifth section of the bill, which is the one immediately before the Senate, there is a question of great difficulty. It is simply a question of dollars and cents, not one of national pride. This Government has several times heretofore authorized foreign loans, and has paid them in guilders, francs, and in sterling money. Many of the States of this country, some of them in the highest credit, as for instance the State of Massachusetts, have negotiated foreign loans in sterling. Many of the leading railroad companies of the United States negotiate their loans abroad in sterling. Why? Because they can save money by it. I have no doubt that you could sell a four per cent. bond payable in francs in the valley of the Rhine or in France at as high a rate as you can sell a four and a half per cent. bond payable in American coin, because the holders of these bonds in Europe are generally small capitalists. The correspondence which is submitted to me here shows that American bonds are now held in sums of from one hundred to five thousand dollars by the peasantry, by the small farmers, by the people of limited means scattered all through Europe. The question with them is, what terms can you make?

When you propose to pay them off in gold the question is, what kind of bonds will they be willing to take? If you offer them a bond payable in a kind of currency that they know all about—frances, thalers, or sterling—they will take it at a less rate of interest; they can afford to do it. The coupons are now sold by these proprietors to the banker in Frankfort; they then go to Amsterdam, and finally come to New York, and are cashed in American gold. But if you could pay off the small holders in the remote portions of Europe or in the centers of European capital with four per cent. in gold of their own coinage, they would much prefer it, and it would be much better for them to have such a bond than even a five per cent. bond. There is no difficulty in paying the money abroad. The rate of exchange never varies more than one or two per cent. We can place the money in the European money markets almost without cost. Sometimes exchange is against us; sometimes it is for us; but the general average varies very little. The cost would be trifling. The cost of the agencies in Europe would be nothing. There is not a banker in Europe who would not do all that is necessary to be done under the provisions of this bill without a single dollar of cost to the Treasury, because the very fact that a banking house in Europe was selected by the American Government for the purpose of paying the interest on a portion of its debt would give that house credit, and it would not only be glad to do the business for nothing, but would pay interest on the amount remaining on credit from day to day. That is now the ordinary course of business. It is the means by which we pay all the expenses of our foreign intercourse. I think, therefore, this fifth section may enable the Secretary of the Treasury to sell a good many four per cent. bonds in Europe at par. At any rate, it will enable him to sell four and a half per cent. bonds there at par; but without it I very much fear he will not be able to sell any bonds in Europe bearing a less rate than five per cent.

The difference between four and four and a half per cent. will be lost to the owner of the bond by the exchange he has to pay in various forms before the coupon is sent to New York, there cashed, and the money remitted to him. All this is done at his expense. If, by transmitting the money for interest in bulk, say \$1,000,000 or \$2,000,000 at a time, to a recognized banker in Europe, who can secure the Treasury Department by the deposit of bonds, or in some other way, because all this is left to the Secretary, we can save interest in the negotiation of our loans, we shall be very unwise not to do it.

Sometimes, in answer to this argument of saving money for the Government, the American flag is flaunted in our faces. Why, sir, it is not any dishonor to the Government of the United States to pay wherever it agrees to pay. In the original loan law of Alexander Hamilton we provided for interest on the old foreign loan. So in the war of 1812 and in 1819 we provided for the negotiation of foreign loans. We saved one half of one per cent. in interest on a considerable amount of our foreign debt by paying it abroad, and our fathers did not consider it a disgrace to do so. The Russian Government does it.

It is said that France and England do not do it, and perhaps Prussia does not do it. Why? Because those three countries are located



just in the center of the money of Europe and there is therefore no occasion for their doing it; and besides, their debts are held at home. I wish that our debt was all held here; and that our citizens were receiving the interest. I would rather pay a little more to our own citizens than to foreigners. But the fact is that we are now paying six per cent. interest in gold to foreigners, and bankers are discounting our coupons at a loss of three, four, or five per cent. to the holders of the coupons in some cases.

We sometimes glory in our American coin. The five-dollar half eagle is worth more than twenty-five francs, more than a pound sterling; and yet let any American traveler go abroad with a half eagle in his pocket and he will find that it is not worth as much as twenty-five francs or a pound sterling. The pound sterling is worth but \$4.84 of our money, and a twenty-five-franc piece is worth considerably less than five dollars; but the actual exchange made by the discount of bankers makes the American lose always when abroad. Now, if we can get the benefit of this difference by paying a portion of our public debt abroad in foreign currencies, why should we not do it?

But after all this matter is left to the discretion of the Secretary of the Treasury. No one can say how much of the loan will be negotiated abroad; but if a portion of it is issued under the fifth section of this bill it will only be because a considerable sum of money can be saved to the people of the United States. My opinion, therefore, is that it is wise to leave this discretion with the Secretary of the Treasury. It has been left in almost every loan law. In the laws that were passed during the war the same authority was conferred upon Secretary Chase, Secretary Fessenden, and Secretary McCulloch. They were authorized to negotiate bonds in Europe as well as in America.

In the first loan law of the war, under which the bonds of 1861 were issued, we authorized the Secretary to make the interest payable in any country in Europe. The Secretary thought it was best not to pay it abroad at that time; but the matter was left to his discretion in the law. I have before me the act of July 17, 1861; and the fifth section of that act provides—

That the Secretary of the Treasury may, if he deem it advisable, negotiate any portion of said loan, not exceeding \$100,000,000, in any foreign country, and payable at any designated place either in the United States or in Europe, and may issue registered or coupon bonds for the amount thus negotiated, agreeably to the provisions of this act, bearing interest, payable semi-annually either in the United States or at any designated place in Europe; and he is further authorized to appoint such agent or agents as he may deem necessary for negotiating such loan under his instructions, and for paying the interest on the same, and to fix the compensation of such agent or agents, and shall prescribe to them all the rules, regulations, and modes under which such loan shall be negotiated, and shall have power to fix the rate of exchange at which the principal shall be received from the contractors for the loan; and the exchange for the payment of the principal and interest in Europe shall be at the same rate.

This section gave to Secretary Chase far more power, so far as a foreign loan was concerned, than is conferred by the fifth section of this act. Now, shall we take away from the present Secretary that discretion? He may not exercise it. The very fact that he has the

power to go into a foreign market and negotiate a loan may be a lever by which he can negotiate the domestic loan. He may decline to negotiate the loan, but the very fact that he has the power to go to Europe, and place a bond payable there, principal and interest, may enable him to negotiate a bond at a less rate of interest.

Mr. President, there is not a single thing in this bill, from beginning to end, conferring a discretion on the Secretary of the Treasury, which has not been conferred heretofore in repeated laws; and the question is whether you will put upon him a task that he may be unable to execute with all the power you can give him, and deny to him the ordinary facilities and powers that have been conferred repeatedly upon other Secretaries? If you do, you will defeat this bill by indirection, and thus prevent the saving to the people of the United States of a large sum of money and the reduction of the interest on the public debt; and the responsibility will not rest on him; it will rest on you.

The bill was further discussed, when, in reply to Mr. Conkling, Mr. Sherman said:

No Secretary of the Treasury would undertake to issue new bonds for the purpose of funding any of the existing debt of the United States on the authority of the act of April 12, 1866. That act was designed for a limited purpose, that of enabling the Secretary of the Treasury to fund the floating debt of the United States which was then in the form of five per cent. certificates and various other forms of floating indebtedness, and that purpose has been accomplished; the seven-thirty notes then outstanding have been converted, in pursuance of the authority conferred on the holders of the notes, into five-twenty bonds, and all the floating debt of the United States at that time has been converted into five-twenty bonds, so that the functions of the act have ceased and determined. The act in its nature was a temporary one, and merely extended the provisions of the act of March 3, 1865, for the purpose of funding the floating debt of the United States. That act refers to, and the only bonds to which it could refer are, the five-twenty bonds authorized by the act of February 25, 1862, and the ten-forty bonds authorized by the act of March, 1864. They were authorized to be issued for the purpose of funding the floating debt, and that has been accomplished. No one would undertake to execute this great task under the authority of that act. No Secretary would dare do it. No person would buy the bonds on an authority of that kind. The attempt to issue \$1,000,000,000 under the authority of that act would at once be arrested by legal objections and denial of the authority; and no Secretary would undertake it.

The Senator states the case a little too strongly, it seems to me, when he makes the allegation that no debt of the United States has ever been payable in foreign coin. The original debt of the revolution which existed at the time of the framing of the Government was payable in French coin, and was so paid. The first act on the subject, known as the great act for the support of the public credit, contains a provision protecting the old foreign debt and requiring it to be paid.

Under the act which provided for the payment of the stock for the purchase of Louisiana I find this provision :

That the annual interest accruing on the said stock, which may be in conformity with the convention aforesaid be payable in Europe, shall be paid at the rate of four shillings and sixpence sterling for each dollar if payable in London, or at the rate of two guilders and one half of a guilder, current money of Holland, if payable in Amsterdam.

It is true that this was the purchase money of Louisiana ; but there is also a provision authorizing a foreign loan in the act of 1819, though my impression is that no debt was actually created under that act. Also, in the act of 1861, under which the bonds of 1881 were issued, there is the fullest possible authority to issue a foreign loan. It is true that that loan was never issued because Secretary Chase found he could not negotiate it on favorable terms. Indeed, at the time of the passage of that act Confederate bonds were worth more in the London market than our own, and the attempt to negotiate a foreign loan failed.

Mr. President, the question before us is simply this : whether in order to save about one fourth or one fifth of the interest paid upon the public debt we are willing to pay the coupons abroad. The small property-holders who hold our bonds abroad would greatly prefer a loan payable in their own currency ; and not merely the Secretary of the Treasury, but many intelligent men who are familiar with this business believe that a four per cent. bond payable in the currency of foreign countries, where the debt is now held, would sell as readily as a five or a four and one half per cent. bond payable in American coin, if the coupons have to be sent to the United States to be collected. The saving to the United States is illustrated by the simplest sum in arithmetic, which any schoolboy can cipher out. If we negotiated a \$1,000 bond at four per cent. the annual interest would be forty dollars, and the cost of transmitting that interest from New York to any port in Europe would not exceed forty cents or one per cent. The average rate of exchange is from one fourth of one per cent. to one per cent. ; taking the highest rate, it would cost forty cents to remit that forty dollars to Amsterdam, in Holland. Thus the cost to the Government of the payment of the interest on a \$1,000 bond would be \$40.40. If on the other hand a domestic bond of \$1,000 is issued, it will cost in United States coin paid at our Treasury fifty dollars at five per cent. ; or if a four and one half per cent. bond is issued, the cost of paying it in New York will be forty-five dollars.

Then if a foreign loan is negotiated under the provisions of the section as I have now amended it, we shall save at least one tenth of the interest on the foreign debt, and perhaps one fifth of the interest on so much of the debt as is payable abroad.

This question of striking out the eighth section has been constantly pressed upon us since the opening of this debate. I do not intend to discuss it at any length, simply because each Senator must have made up his mind by this time upon the subject. No injustice is done to the banks. The right to amend the banking law was carefully reserved. Many changes have been made from time to time, and many changes must be made in the future. The right to change, and to require them

to change, their securities is expressly reserved. There are many provisions of the banking law by which they can be required to increase the amount of securities now held by them. They may withdraw or change their securities at pleasure, and under the provisions of the act we may require them to increase the securities deposited.

Now, what is the hardship complained of? We are about to resume specie payments. We are about to negotiate our bonds at par in gold bearing interest at five per cent. We all know from the state of the money market that we can do so. All the bonds held by these banks are redeemable at our pleasure, except \$59,000,000; \$280,000,000 of their bonds are now practically redeemable at the pleasure of the United States. They hold, it is true, a large amount of ten-forty bonds, but they are payable at a lower rate of interest. There is no trouble or difficulty about them. Only \$59,000,000 of all the bonds held by the banks are bonds that would bear a premium in the market. We do not deprive them of that premium. We leave them the right to sell the bonds and receive the premium. We do not even require them to exchange their five-twenty bonds. They can if they choose sell them, or they can retain them in their vaults. But we do require that, as the basis of a privilege the most extensive that has ever been granted to any set of private corporations in the wide world, they shall give as security the bonds of the United States which we are now about to offer.

What do we give them in exchange? We give them upon purchasing these bonds the right to issue four fifths of their amount in money, and we give them the monopoly of that right. We are about to withdraw from circulation the greenbacks of the country. We are about to retire and cancel our notes by the provisions of this act. We are about to give them the monopoly of the circulation of this country, the sole and exclusive privilege of issuing paper money. We have destroyed the State banks. And now what do we require in return? That they shall join us in reducing the burdens of the public debt; that they shall bear some little of their share of the loss of income which every holder of the public securities must suffer.

Sir, national banks would be very unwise, indeed, to make an issue on this question. If any man here is a friend of the national-bank system I certainly can claim to be. I was here at its cradle, introduced the original banking bill and advocated it, and also introduced the amendment to it, conducted it, and saw it passed. But if I believed now that the banks of the United States were unwilling to aid us in reducing the rate of interest on the public debt to the extent of the limited sacrifices they are called upon by this bill to make, I should certainly change very much my opinion of them and of the whole system. I do not believe there is any practical difficulty in the way; nor do they lose by it if five per cents are worth par in gold. What do they lose by taking one third of these bonds at five per cent., another third at four and a half per cent., and another third at four per cent.? They possibly lose one half of one per cent. of the interest on the bonds; that is all. But before this scheme can succeed at all it must be on the basis that five per cent. bonds are worth at least par in gold. We require them when we surrender to them the privilege of issuing

all the paper money of this country to reduce the rate of interest on their bonds one half of one per cent. on the average. Is that a hardship? I think not.

When my honorable friend from Maine was complaining that we were taking these banks by the throat and forcing them to do a great many things that were wrong, he forgot that the privilege we conferred upon them, and which they hold at our favor, is one of the most important franchises ever granted to private corporations. I did not expect that this section of the bill would be attacked from the quarter that it has been, but I expected that it would be attacked from another quarter on a political point, on the ground that we were about to withdraw the favorite currency of the people and fund it, and get it out of the way and give to the national banks so important a franchise. That was the point upon which I was prepared to show that the national bank currency was the best that could possibly be devised. But I did not suppose that in the interest of the national banks, or rather because of the alleged hardships to the national banks of a slight reduction of one half of one per cent. of the interest on their bonds, any complaint would be made. Why, sir, \$92,000,000 of bonds now deposited as security bear but five per cent. I have the report before me showing that the ten-forty bonds are now the basis of this circulation and are filed to the amount of \$91,579,000. The banks, if they make the exchanges provided by this bill, will lose one half of one per cent. of the interest on their bonds, and they will receive a bond exempt from all income tax, with many privileges, as the Senator from New York showed yesterday, that the ten-forty did not have.

When they surrender their ten-forty bonds, which are redeemable in 1874, they receive a bond which runs fifteen years without the possibility of redemption, a bond entirely free from income or other tax by State or national authority. For all that and for the monopoly of the privilege of issuing paper money they yield us one half of one per cent. on the interest of their bonds. To call that a hardship it seems to me is to use a misnomer. When we give them a bond bearing five per cent. interest in gold, we give them a bond that is worth par in gold; and when we pay their six per cent. bonds off in gold, we only do what we have a right to do under the very terms of the bond.

There is not now a bond filed by the banks as a security for their circulating notes that is not redeemable at the pleasure of the United States, except the bonds of 1881 and the ten-forty bonds; and we propose either to let them sell their bonds in open market or aid us in this great scheme to reduce interest on the public debt, by a sacrifice of one half of one per cent. It seems to me that to defeat this bill, or the portion of it which provides for the funding of \$400,000,000 of the new loan, on the plea of injustice to the national banks, would endanger the banking system; it would be an act of injustice to the people of this country. And I have this to say as to the bankers of my own State, that to this hour, although they are affected by the operations of this bill, and I should be the person above all others to whom they would address their complaints, not one of them has complained of the operation of the bill; but as far as I know they have given it their hearty assent.

Sir, the only objection made to this section of the bill is that it is a hardship to the banks. It is no hardship, it is a great benefit to them. It secures the national banking system from ultimate overthrow, in my judgment, and will give us a stable currency, bring us back rapidly to specie payments, withdraw from the currency the now dishonored United States notes, fund them, and retire them to give place to a circulation founded on Government securities. All the sacrifice that is required of these banks is the possible surrender on the average of one half of one per cent. of the interest upon their bonds. They will enjoy on an average upon these bonds four and a half per cent.; and no one can doubt that in three, four, five, or six years after this process of funding has been completed, after the first class of bonds has been sold at par in gold, after the banks have exchanged their bonds and funded them to the amount of \$345,000,000, the quantity now held by them, that the four and a half per cent. bonds will be at par in gold.

But there is another important thing to be remembered, that the provisions you are now about to apply to the old banks are also applicable to the new. You do by this bill substantially incorporate banks to the amount of \$356,000,000, if people desire to go into the banking business. You open the system, make it free to the extent at least of the amount of legal tenders, and there you furnish another market for the bonds provided for in the bill, taking the old banks and the new, for if new banks are organized on the greenbacks now outstanding, you will have a banking basis of some \$655,000,000, furnishing a market for at least this amount of bonds.

Now, Mr. President, it seems to me that so important a measure as this ought not to be sacrificed merely on the plea of hardship to the national banks, who of all classes have during the last six or seven years certainly received a reasonable and fair profit on their investments and their enterprise. They ought not to obstruct this measure. Their interest is promoted by it. And I was a little surprised at a remark made by my honorable friend from Connecticut, who I know is as just a man as lives. After declaiming against this section because of the hardship to the national banks, he said he could not vote for any proposition that would make a national bank take a bond bearing five, four and a half, or four per cent. interest; and then, without reflecting upon the position in which that placed him, he said he would be very willing to see here the system adopted in England, by which every trustee would be required to invest his trust funds in Government securities, and in these very securities. That is, he would require trustees to invest the funds of the widow and the orphan in these bonds bearing a low rate of interest; and yet he would not compel the national banks to take this same class of bonds.

Mr. President, it is my belief that the national banks ought to and will heartily assent to this new arrangement. A defeat of this proposition is the substantial defeat of the whole funding scheme, because if we may not require the banks which enjoy the benefit of a privilege granted by the Government, and held at our pleasure, to take these bonds within one year, with what face can we go into the market and ask the people to give us gold at par for them? It is said that the

theory of the pending bill is that it will succeed, that the bonds can be floated at par, and that then the Government will be in possession of the avails of the bonds; and it is suggested that all the bonds belonging to the banks being redeemable, except the ten-forties and the 1881s, these avails might be used to redeem the bonds belonging to the banks, leaving the banks, like individuals, free to pursue the business of banking or not as they please; and if they do pursue it, of course the laws of trade as well as the laws of Congress would require them to possess themselves of the only bonds then to be had for the purpose.

My answer to this is very simple. So far as the five per cent. bonds are concerned we do not thank the banks or anybody else to take them. They will be taken in any money market of the world. But we do require them to take a portion of the four and a half and a portion of the four per cent. bonds which can not now be sold at par in gold. That is the only advantage and the only aid the banks render to this whole funding scheme. We compel them, as we have a right to do, to purchase one third of these bonds at four per cent. which we can not now probably sell in the market, and one third of the four and a half per cents, and in that way we do ask them substantially to sacrifice one half of one per cent. on the amount of bonds they purchase, the average rate being four and a half per cent.; and in this way we give the bonds circulation, give them a credit they would not otherwise have. What is the cost of that? What do we give them in return for this? The right of issuing all the paper money of the United States; the right to draw interest, not only upon the bonds deposited with us belonging to them, but the right to draw interest on four fifths of that amount in paper money. And the honorable Senator who now occupies the chair complained that this enormous privilege was given to them too cheaply. He proposed to make all their bonds four per cent. bonds; in other words, to require them to surrender one per cent. interest instead of one half of one per cent.

Mr. President, under these circumstances I do think this bill is as favorable to the banking system as it could possibly be. We require the banks to surrender nothing but the small margin of one half of one per cent. on the amount of the bonds held by them. The taking by them of these three new classes of bonds will tend vastly to promote the credit and the value of the bonds. It will furnish a market for them, and in return for that the banks enjoy the privilege of furnishing paper money printed at the expense of the United States, issued at our cost, printed by us, guaranteed by us, and of using and circulating this paper money and loaning it to their customers. It seems to me, therefore, that any opposition to this section ought not to come from those who represent the national banks; but if there is any objection to it it ought to be that this privilege should not be given to them so readily, but that they ought to surrender a little more in return for so valuable a franchise.

The subject has been so often debated that I will consume only a few moments of time in presenting distinctly the question which I think is the most important one embraced in this bill. My honorable friend from Indiana, ever since he has been an able and honored mem-

ber of this body, has been continually haunted by the fear of contraction. It is a word with him of evil import.

Now, Mr. President, I do not want to contract the currency one dollar, but I want to resume specie payments, and to avail ourselves of the favorable state of the money market and of the condition of the times with that object in view. This is a bill not only to fund the public debt, but to bring about specie payments without material contraction. We know very well that a proposition to retire the whole mass of greenbacks would be met here not only by my friend from Indiana but by a general public sentiment, and therefore we have inserted in this bill the smallest modicum of provision toward specie payments.

There is in this bill only one clause that does look toward resumption. What is it? We give to every holder of a greenback, which is the dishonored promise of the nation, the right to present it at the Treasury of the United States and convert it into a bond bearing four per cent. interest in gold.

My honorable friend thinks that will contract the currency. Does he suppose that in the present state of the money market everybody holding greenbacks will be eager to rush to the Treasury for four per cent. bonds? I do not believe that greenbacks will be funded into bonds to the extent of \$5,000,000 in the course of a year. The section is so framed as to be the most moderate proposition of the kind that could be made. If I had my own way in the matter I would treat the note-holder precisely like the bond-holder; I would say to the note-holder, "You can convert your note into any form of bond provided for in this bill." That would at once provide for a mode of retiring greenbacks and provide another circulation in their place. But that is not the proposition. The proposition is simply to give to the holder of our dishonored promise the right to convert it into a bond. Why should we not? Is it not honest? Clearly so. We are bound to pay the note in gold. Nobody has disputed that proposition. Why do we not do it? Is it said we can not do it? My honorable friend from Indiana will hardly say we can not pay the note now. With our improved credit we are able to pay it.

Sir, we are bound in honor and honesty if we can not pay the note in gold to do the next best thing. We can give note-holders at least a bond bearing interest in gold; and now we give them the smallest bond, the bond least burdensome, one at the lowest rate of interest ever proposed in the United States of America, in payment of a debt past due, that is daily dishonored. It seems to me that so simple a proposition ought not to startle or alarm any one. The Senator himself, I suppose, will admit that the process of contraction under this bill will be very slow. The holders of the greenbacks will not hurry to the Treasury to convert them into four per cent. bonds. The question may be asked, what is the benefit, then, in the provision? The benefit is that in no possible state of the money market will the greenback be depreciated below the market value of a four per cent. bond. It is the virtue of this provision in the bill, together with a favorable turn in the money market, that has now brought us to the condition



of affairs when our note is within ten per cent. of gold. It is only the manifest purpose on the part of Congress to redeem and give additional value to the greenback that makes the money market favorable.

Why, sir, since the time when we suspended the right to contract the currency or retire the greenbacks until the beginning of this session the depreciation in our currency was from thirty to sixty cents on the dollar. It is only when we are again talking about restoring to the greenback the privilege of being funded into a bond, giving it an additional value in this way, that we can approach within sight of specie payments. It is the very propositions pending in the Senate, the very propositions contained in this bill, that have brought us so near now to this end. Why should we refuse to the holder of the greenback the right to convert it into a bond? We give the holders of all our interest-bearing obligations that right. We give the holder of the fifties and ten-forties on the terms prescribed in this bill a chance to exchange, provided we make something by it. Why should we discriminate against the favorite debt of the people? Why should we not give it an additional value? I never could answer the question myself except by raising the phantom of contraction which disturbs the brain of the honorable Senator from Indiana. But to meet that we have provided that there need be no contraction. For every dollar of greenbacks converted into bonds or surrendered, one dollar of bank currency may take its place. Under the tenth section of the bill anybody can present these greenbacks and get national currency and organize new banks, and then the greenbacks are canceled.

If the greenbacks float into the Treasury under the third section of the bill they are not canceled; they are held in the Treasury, and may be paid out in the ordinary operations of the Government, with this condition only, that by it the amount of the debt shall not be increased. Our surplus revenue now is a gold revenue. That surplus revenue can be applied to the payment of bonds or the purchase of bonds in the open market, as has been done almost daily for some time past. We have no surplus revenue in greenbacks. Indeed, we have not enough revenue in greenbacks to pay the ordinary expenses of the Government in greenbacks. The surplus is gold, and we sell the gold and convert it into greenbacks, and with the proceeds buy in our bonds. If the money floats into the Treasury in exchange for bonds, that money may be used in the ordinary operations of the Government if there is occasion to use it; but if, on the other hand, there is no occasion to use it, if there is more money in the Treasury than is necessary to carry on the operations of the Government, it may be retired. Contraction will take place only when the greenback is worth less in market value than a four per cent. bond; then, and then only, will it come into the Treasury. Until then there can be no contraction of the currency, and no retirement of the greenbacks. It is to guard against possible depreciation, to give the greenbacks steadiness in the money market, that this measure is so vitally necessary. Why, sir, if this provision had been contained in the law last September when the stock gamblers were endeavoring to break up the business men of the country they would have been defeated at the outset, when they ran greenbacks down to

about seventy cents on the dollar, or sixty cents, which I think they reached. If they had undertaken such a movement as that in the face of this provision of law the greenbacks would have had the market value of four per cent. bonds, and those speculators would have been broken long before the Government gold was thrown on the market.

Mr. President, all there is of specie payments in this bill is contained in these simple words; and if the Senate is not willing to do thus much to give value to the security of the note-holder, the note will drift off, valuable only for the payment of taxes. Now, the United States Government refuses to take this note for any purpose except for taxes. You do not give it any value; you do not promise to pay it; you do not fix a time when you will pay it; you do not authorize it to be received for customs dues; you do not authorize it to be received in payment of bonds; you will not take it at all; you dishonor it; you stamp it with infamy by refusing it in almost every form possible. And now, when we propose to give to it the additional value of making it at least equal to a four per cent. bond, we are met by a phantom fear.

Mr. President, I would not regard it as a misfortune if fifty or one hundred million dollars of greenbacks should float into these four per cent. bonds. We can never redeem them so cheaply again. The Senator is willing to sell four per cents, even five per cents, at par in gold. Why does he not give the holders of greenbacks now four per cent. bonds if they are willing to take them? If we were now back to specie payments, an object we all desire, but few seem really to wish to come to, the holder of a greenback could present it and demand his gold and silver coin. We are now offering to borrow the gold and silver coin at five per cent., giving our bonds for it. Why not, then, shorten the process by dealing at once with the holder of our legal tenders, and give him a bond payable at four per cent., and thus save the difference?

It is idle to talk about specie payments either now or in the future, when you refuse to give for the greenbacks an obligation of the Government bearing four per cent. interest in gold. Sir, this measure, as far as this point is concerned, is a weak one. The note-holder ought to have more privileges than are conferred by this bill; but the fear of contraction, of a disturbance of the business relations of the country, as an effect of a sudden return to specie payments, must be guarded against, as we have endeavored to do.

We have, then, given to the greenback some productive value, the least productive value that has ever been proposed in this country since its formation; that is, the right to be converted into a bond bearing four per cent. interest. If you are not willing to do that much to strengthen the market value of the greenback, then you proclaim that it is good for nothing except to pay a small portion of the taxes of the United States; not good to pay duties on imported goods; not good to pay interest on the public debt; not good for anything until in some distant future the United States may hoard enough gold in the Treasury to resume specie payments.

Mr. President, this question is simple, although very important in

its effects. The vote of the Senate on this question will have far more effect on the resumption of specie payments than any vote that has been taken at the present session. If we now again dissever the connection between the note and the bond, we allow the note to float on the market a mere toy for speculators, to be raised or lowered at their pleasure. But if we now tie it to our public credit, tie it to the market value of the bonds, we shall have anchored it to a sure foundation, where it may rest in the hands of the people, to be floated into the Treasury in payment of bonds until all that are left—and nearly all will be left—will be paid in gold and silver coin when we resume specie payments. To avoid the possible evils of withdrawing the currency, or any portion of it, from the circulation of the country, we have provided for free banking. Any association of individuals may present these greenbacks, or the bonds provided for by this act, to the Treasurer of the United States, and receive and issue circulating notes, and then and only then an equal amount of greenbacks is canceled under the operation of this act. This measure, simple as it is, I think will have a beneficial effect. But if this is stricken out, the effect of the bill as far as specie payments are concerned is destroyed.

After which the bill was further debated, amended, and passed.

The bill as passed by the Senate was disagreed to by the House, and a committee of conference appointed, whose report was not concurred in, and a second committee of conference agreed to, and their report was submitted by Mr. Sherman, who made the following brief explanation:

I desire the attention of the Senate while I make a brief statement in regard to this very important bill. The controversy between the two Houses as to the funding bill related principally to three matters: first, as to the description of the bonds; second, as to the mode of negotiation; and third, as to their operation upon national banks. The House of Representatives provided for a four per cent. thirty-year bond. The Senate provided for three classes of bonds, at five, four and a half, and four per cent. We have adjusted that matter by providing for three classes of bonds of the description provided for in the Senate bill, but have limited the amount of five per cent. bonds to \$200,000,000, of four and a half per cent. to \$300,000,000, and the residue, \$1,000,000,000, must be four per cent. bonds running for thirty years.

The second question was as to the mode of negotiation. The House provided for no means of negotiation, no agencies and no facilities. The Senate had opposed the appointment of agents, and the advertising of the loan, etc., and limited the expenditure to one half of one per cent. We have agreed to a modification which places the one half of one per cent. at the disposal of the Secretary of the Treasury for the negotiation of the loan; so that in substance it is the proposition of the Senate.

As to the national banks, we had a great deal of trouble. The original section in the funding bill, as it passed the Senate, required that all the national banks should substitute the new bonds for the old. There was, as I think, a very unreasonable and unnecessary clamor raised by the banks against that provision. I was sorry to see it. In

the House bill there was no provision made in regard to the national banks. But when we came into conference the House conferees themselves proposed that the new banks to be organized under the currency act which recently passed should be upon the new description of bonds; a provision which was manifestly just in itself and not unjust to the banks. That was a proposition made by the conferees of the House, and we agreed to it. When the bill went back to the House, it seems that some of the very gentlemen who were so much opposed to our section about the national banks attacked the report of the committee on the ground that it did not extend this provision in regard to the new banks to the old ones. The contest thus sprang up on the proposition proposed by the House conferees, and the bill was defeated, after debate, upon this proposition.

The second committee of conference, being composed of the same gentlemen, had but one of two courses to pursue: either to restore the section proposed by the Senate originally, which we thought was the better way, or to omit all reference to national banks in the bill. In view of the action of the House we concluded that it was better to strike out the seventh section of the bill entirely, leaving the old and new banks upon the same footing, and leaving the national banks entirely at liberty to help or to mar the funding of the public debt.

I wish now to record my deliberate judgment that in this conclusion, to which we have been compelled to arrive by the action of the House, we are doing the national banks a great injury, which will impair their influence and power among the people, and that the opposition of the national banks to this provision, which would have required them to aid in the funding of the public debt, will tend more to weaken and destroy them than anything that has transpired since their organization. I do not see how we can go before the people of the United States and ask them to lend us gold at par for our bonds, when we refuse to require agencies of our own creation to take them; when we even refuse to require new banks not yet organized to take the new bonds, and when we refuse to require old banks, which have made on the average from fifteen to twenty per cent. annually upon the franchise derived from the United States, to aid us to this extent in funding the public debt.

But, sir, the vote of the House shows the power of the national banks. It is so great, at least in the House, that in order to secure a funding bill we have been compelled to abandon all provisions in regard to the national banks; but I give notice that in the future I for one shall be prepared at all times to require the national banks to take that class of bonds which we propose in this bill, and I have no doubt this will be the result. But for the present, in deference to the wishes of the House, we have withdrawn the section in regard to national banks.

This bill became the Refunding Act of July 14, 1870.

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## RECEIPTS AND EXPENDITURES—REDUCTION OF TAXATION.

*IN THE SENATE, MAY 23, 1870.*

THE Senate, as in Committee of the Whole, having under consideration the bill making appropriations for the legislative, executive, and judicial expenses of the Government for the year ending the 30th of June, 1871, Mr. Sherman said :

MR. PRESIDENT : This appropriation bill is the first of a series that will bring before us every branch of the expenditures of the National Government. It may be well before we enter into their details to take a general view of our expenditures, and of such measures of taxation as will be necessary to raise the vast sums about to be appropriated. Taxes and appropriations are inseparably associated. They are the pleasing and painful sides of financial legislation. If to appropriate money was the "end all and be all" of this and kindred bills, it would be the most gratifying employment in the world. We could indulge in the luxuries of art and the fancies of statesmanship; we could erect temples for custom-houses, and cover the ocean with our subsidized steamers; we could increase our salaries, and buy all the islands adjacent to our continent. But unhappily we can only appropriate what we first collect by taxation, and taxation is a painful process at best, in its nature unequal, and generally inflicting more injury to the individual than it confers benefit upon the people. Every appropriation bill is a tax bill, and every item added is a draft upon the earnings and labor of our citizens, to which is superadded the cost of collection. If the money is borrowed, then interest is added, and interest is as consuming to the resources of a nation as it is to an individual. It never rests or sleeps.

The estimates upon which these appropriation bills are founded are made annually by bureau clerks nearly one year before the commencement of the fiscal year for which they are made, and by law are submitted to us at the beginning of each session. A general *résumé* of these for the year may be found on pages 240 to 244 of the book of estimates, as follows :

Legislative department.....	\$2,833,891 40
Executive department.....	21,321,804 00
Judicial department.....	1,575,990 00
Military department.....	33,845,747 75
Naval department.....	24,598,277 37
Indians.....	5,048,334 51
Pensions.....	30,490,000 00
Miscellaneous.....	5,531,267 83
Public works.....	24,625,173 55
Postal appropriations (deficiency).....	5,427,131 21
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Annual appropriations.....	\$155,297,617 62
Permanent appropriations, mainly collection of customs and postal service.....	5,110,000 00
Other indefinite permanent appropriations, as drawbacks, excess of duties, bounties, etc.....	9,031,300 00
Interest of public debt.....	129,077,815 00
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Total.....	\$298,516,732 62

A palpable error occurred in the postal estimates, but this I have corrected in the statement read. The great mass of these estimates is to carry into effect existing laws, and can only be reduced by a change of the law. All the appropriations for public works, and some of the appropriations for other heads of expenditure, amounting in the aggregate to more than fifty million dollars, depend upon, and may be increased or diminished in, the annual appropriation bills. The amount estimated by the Secretary of the Treasury in his annual report for the service of the next fiscal year is \$291,000,000, made up as follows :

Civil service and miscellaneous.....	\$60,000,000
Pensions and Indians.....	36,000,000
War Department.....	50,000,000
Navy Department.....	18,000,000
Interest on the public debt.....	127,000,000
Total.....	\$291,000,000

The difference between the two estimates is readily explained, and consists mainly of his reduction of estimates for public works; but the actual appropriation will depend upon the economy or liberality of Congress. I shall be gratified if the appropriations are kept within the estimates of the Secretary of the Treasury.

Now, in these estimates there are elements of uncertainty growing out of other causes than the action of Congress; and some of these demand an immediate legislative remedy. Under the law and the practice of the departments unexpended balances of appropriation for one year are carried over to the credit of that fund in the next year. Thus we may appropriate a specific sum for the pay of transportation in the army, enough in the judgment of Congress for that purpose; yet a much larger sum may be expended by adding to the new appropriation the balances of former appropriations. It is at this moment difficult to estimate what balance of unexpended appropriations will remain on the 1st of July next, and it was much more difficult to estimate such balance in October last. The actual balance of unexpended appropriations on the 1st of July last was \$102,390,159.37, of which \$41,548,477.30 were for the War Department, and \$26,532,453.94 for the Interior Department, or more than one full year's appropriations for each of those departments. Indeed, their "balances" were nearly as large as the whole appropriations for the present fiscal year, thus giving the departments two years' supplies for one. I refer Senators for further information upon this subject to Executive Document No. 155, House of Representatives.

Here we have an element of uncertainty, which explains why the appropriations are not the limit of expenditures. The only way to correct this is by carrying all the balances of appropriations at the end of the fiscal year to the surplus fund; then the expenditures can never exceed the appropriations for that year. This reform has been adopted by the Senate in an amendment reported by the Committee on Finance to this bill, by confining these balances to expenditures included in the fiscal year for which they are appropriated. If unforeseen wants should arise, they can be provided for by deficiency bills; but with the present practice there is not sufficient check upon expenditure. I know of

heads of appropriations kept alive in this way ever since the war, that would not for a moment be authorized in an annual appropriation bill now.

Another element of uncertainty grows out of the authority during the war to transfer appropriations from one head of expenditure to another. This ought not now to be allowed in any case. The history of these transfers is a curious one. The Constitution of the United States provides that no money shall be drawn from the Treasury but in consequence of appropriations made by law. This highly important and fundamental provision has frequently been evaded under the specious device of a transfer of appropriations, authorized from time to time by different acts of Congress. This was cured by the deficiency bill of February 12, 1868, which repeals all acts authorizing such transfers, and provides that no money appropriated for one purpose shall hereafter be used for any other purpose than that for which it was appropriated. We had a case in point last summer, when our adventurous Admiral of the Navy, without consulting Congress, embarked in a vast sea of expenditure for building a navy, and his reliance was in the unexpanded balances accumulating from appropriations under various heads during and since the war. This law, which must have been overlooked, guarded these balances from a transfer and checked an almost unlimited expenditure.

Sometimes we have bills authorizing transfers; but the word whenever used ought to be regarded as an indication of fraud; it ought to excite distrust and suspicion. Annual appropriations for specific purposes, and for a specific time, are the only guards for expenditure. If then we have extravagance, it can only be the extravagance of Congress and not of executive officers.

Another element of uncertainty in our estimates is the demand for public works, amounting this year to the sum of \$24,625,173, against \$5,493,000 appropriated last year. Upon the action of Congress on this branch of expenditure it will depend whether we have to provide for \$280,000,000 or \$305,000,000; and what I say in regard to the reduction of taxes will be affected by this uncertainty. Certain great works of improvement demand liberal appropriations, but they are often compelled to carry a multitude of appropriations for objects of minor importance.

Another uncertainty arises from the manner in which the estimates and appropriations are made. We are asked to appropriate \$100,000 for the erection of a custom-house; then a plan is adopted which requires \$1,000,000; the money appropriated is sunk in the foundation, and this is made the basis for future appropriations. No public work should be authorized until its completed cost is ascertained and fixed by law or contract; and I am happy to see that this plan has been adopted in the bills of this session.

The amount of claims that are provided for by Congress is also an indefinite sum. If the proposition which was supported the other day with a very able, eloquent, and elaborate speech should pass, it will cost from thirty to fifty million dollars to meet that demand for next year; and we must provide for it. As a matter of course, if the proposition

should be adopted, and we should concede the principle that we must pay all the damages incurred and sustained by loyal people in the Southern States during the war, it would add to our expenditure an enormous sum, an amount which even the Senator from Indiana did not venture to state. It would amount to perhaps fifty million dollars, perhaps double that; I do not know how much.

Besides that, there are judgments of the Court of Claims. In this estimate of the aggregate of expenditure, \$1,000,000 is estimated for the payment of the judgments of the Court of Claims. But last year they were over \$1,250,000, and this year will probably largely exceed that, as many cases are now pending on appeal in the Supreme Court, as well as in the Court of Claims originally. Then the action of Congress on private claims that come to us is very uncertain. We sometimes see, without attracting much attention, a claim of \$50,000, or \$100,000, or even \$250,000, go through. That swells the vast aggregate of our public expenditures without our scarcely perceiving it.

A still more dangerous element of uncertainty grows out of our Indian service. The conduct of the United States to the Indian tribes is infamous. It is in its results as cruel and heartless as the worst chapters of English domination in India under Hastings and Clive. It has been so for years. But two years ago we undertook to make a great reform. We undertook in the most solemn manner to gather our Indian tribes into reservations, to feed them, and adapt them to civilized life. We authorized a board of officers of the highest rank in military and civil life to make treaties with them. This was done with much ostentation, and the treaties were ratified and confirmed by the Senate. We guaranteed them reservations, food, shelter, assistance, and clothing, in obligations as sacred as the public debt. We have openly and knowingly violated these obligations. We even gathered bands of Indians on the reservations promised them, and left them to starve. Our people invaded the very reservations set apart for them, and Congress refused last year, and still refuses, to make appropriations to carry the treaties into effect.

The Indians resorted to the only remedy for savages or civilized people for violated treaties; but their warfare is the warfare of barbarians. They steal and rob, burn, murder, and mutilate their victims. What else can they do? You have invaded their territory; you have cut off their food. They are starving. You promised them food, and you have sent them Quakers without money. They flaunt your violated treaties in your faces. You talk about Indian massacres! What death is more terrible than starving? What crime is greater than this Congress commits daily in violating these treaties? With them it is the crime of desperation; with you it is the crime of listlessness and indifference. I fear it is now too late to repair our error. We may be startled any day by a Fetterman massacre, to punish which our soldiers may be compelled to commit another. In any event, very large additional appropriations must be made, and these will be either in money for food, or in supplies and transportation for the army.

Then there is another thing. The House the other day passed a bounty bill, which, in my judgment, if carried into a law, will cost us



about two hundred million dollars. It allows one hundred dollars a year, if I remember aright, for every year's service by any soldier in the war. Two or three years ago I examined into it thoroughly, and the estimates then of the Department, which I have now in my hand, showed that the whole amount to pay the bounties provided for by it would be from three to four hundred million dollars. As a compromise we provided for a mode of paying a certain amount of bounties that has cost the Government eighty millions, and this new bill proposes to make up the difference, as I understand. When the original House proposition came to us, the estimate was that it would cost more than three or four hundred million dollars, and the House bill as passed now allows a deduction of the amount of bounties already paid. I feel as grateful to the soldiers as any one; we have done what we agreed to do for them; but I must present these facts and sober statistics to the members of the Senate, so that, if they pass that bill, they may know precisely what they are doing.

I state the facts to show the difficulty of accurately estimating our future expenditures. An English statesman felt himself called upon to apologize at great length for a discrepancy of £500,000 between his estimates and the actual expenditures; but under our system it would require more than human sagacity to guess within \$5,000,000 of our expenditures for the next year. We can only take the hopeful estimate of the Secretary of the Treasury of \$291,000,000 and try to keep the appropriations within that limit. To this amount we must add the amount required for the sinking fund under the act of February 25, 1862, of one per cent. of the entire debt, or \$24,000,000, making the sum to be provided for \$315,000,000.

I omit from the view I present of our financial condition the surplus gold on hand, which, according to the statement submitted to us, on the 1st of May amounted to \$115,525,213; but that is subject to a deduction of \$33,840,400 of gold belonging to private parties, leaving of gold belonging to the Government \$81,684,813. This gold was collected under the act appropriating and setting apart the gold revenues for the interest and principal of the public debt. It might now be safely used for funding the debt. But I avoid all discussion of the funding bill and all measures that look to the reduction of the rate of interest. These subjects we have elaborately discussed in the Senate; and although the action of the House is long delayed, I hope we shall yet agree upon some measure that will enable the Secretary of the Treasury to reduce this burden of interest. I look to the gold held by the Treasury as the basis of any funding system that can be proposed, because the Government when it engages in the operation of funding must be very strong indeed.

Then it is also necessary to provide for the three per cent. certificates, which, under the currency bill as it passed the Senate, must be retired. They can be provided for out of the accumulated gold and the surplus revenue that will accrue before the measures I propose to indicate shall operate. This gold will form also the basis of a resumption of specie payments. Therefore we can not count as an element or source of revenue the amount of money we have on hand. That money

is specifically pledged for other purposes, and can only be used either in the retirement of the three per cent. certificates or of greenbacks, or in the payment of a certain portion of the bonded debt of the United States. The only resources we have for the large sum that is necessary to be appropriated this year, estimated by me at the lowest calculation at \$315,000,000, are the taxes collected in various forms from the people.

And here, when we approach this question, I am glad to say that we are able to estimate with a great deal more accuracy. It is much easier to estimate the result of taxation than it is the process of expenditure. There are four different heads of receipts under our Government. The first and least of all is the public lands, which yield, say, \$5,000,000—more than formerly. I beg leave to differ from my colleague, who made a very able speech some weeks ago to show that the grants of public lands to railroads tended to impair the money revenue of the Government from the proceeds of the public lands. The facts, if examined into, will show directly the reverse. Whenever we grant land to a railroad, we raise the price of the reserved sections, and those reserved sections are at once brought into market, so that we sell the same amount of land at double the price; and the reserved sections, instead of being settled under the homestead act or under the preëmption laws, are in many cases sold for money. The result is, that last year we received from the proceeds of the public lands in money \$5,000,000; and that has been the operation of all the grants of lands for railroads. I do not now mean to go into the general subject of the disposition of the public lands; I merely speak of it as a source of revenue. It is most probable, therefore, that we may rely upon the same amount from public lands next year, and that is the amount estimated by the Treasury Department.

There are sources of revenue, to the amount of \$28,000,000, which are in every sense of the word miscellaneous. The principal items are: the premium on the sales of coin; the fees from United States consuls (the consular system now being self-sustaining), storage, rent, labor, and drayage, under the administration of the customs laws; fines and penalties for violations of the customs laws; the fees on letters-patent, which were \$650,000, or more than the expenses of the Patent Office; the taxes levied on the circulation and deposits of national banks, say \$6,000,000 (which is not collected through the Internal Revenue Office, but directly by the Treasurer of the United States); the homestead fees, which yielded us \$300,000, going far toward defraying the expense of surveying the public lands, and perhaps paying the whole expense; steamboat fees under the steamboat law, which yield us \$200,000; and various unenumerated items, \$3,300,000; making an aggregate of \$28,000,000 from miscellaneous sources.

One item in this account is perhaps overestimated. The amount of \$16,000,000 estimated as the premium on the sales of gold is larger than we shall probably receive next year. The estimate was made in October last, when gold was bearing a much higher premium than today. I think, therefore, there will be a reduction in that item on account of the fall in the premium on gold; but it will be amply made

up by other sources, so that we may rely at least upon \$28,000,000 from these various incidental sources of revenue.

We then have the customs duties and the internal revenue. The customs duties are estimated for the next fiscal year at \$185,000,000; and I think this is an underestimate rather than an overestimate. The actual receipts of the last three quarters of the present fiscal year are \$140,639,000. Estimating an equal amount for the present quarter, the amount of customs duties this year will be about \$186,000,000. Next year they will probably be as much; but the Secretary estimates them at \$185,000,000.

The internal revenue, if maintained at its present position and without any diminution or change, will yield not less than \$175,000,000. The actual receipts during the last calendar year were something over \$174,000,000. They have been gradually increasing since this Administration came into power, and now, instead of \$157,000,000 or \$158,000,000 annually, they are \$174,000,000 or \$175,000,000; and next year, if the law remains unchanged, they will be over the amount estimated, \$175,000,000. This makes an aggregate of \$393,000,000. Deduct the amount estimated by the Secretary of the Treasury for expenditures, and it leaves a surplus of \$78,000,000 upon the basis of existing law.

Now, the question arises, What shall be done with this surplus? Is it better to repeal and diminish the taxes, or to maintain them at their present position with a view to the reduction of the public debt? Upon that I believe there is a unanimity of sentiment in this country, in which I most heartily concur. I can see no object in maintaining our revenue at its present position, no object in a more rapid payment of the public debt than is provided for in the sinking fund of February, 1862, or the funding bill as we sent it to the other House, which will pay off the whole debt in twenty-five or thirty years. I see no object in accumulating surplus funds, because they are always a temptation to extravagant expenditures, and many of the items which will be put on this appropriation bill will be put there because we have a surplus revenue.

A surplus revenue could only be used for the more rapid reduction of the public debt. It might strengthen the power of the Secretary of the Treasury to reduce the interest of the debt. These are objects of high public importance, but in my opinion it is now more important to relieve our people from burdensome taxation. The money is more valuable to the tax-payers in the multiplied business of a new and vast country like ours, than it is to the National Government. The large surplus now on hand, together with the fixed provision for the reduction of the debt contained in the funding bill, will enable us to reduce the rate of interest and gradually to pay the principal, without continuing the drain of taxation upon our people. We point with pride to the vast sums they have freely and voluntarily paid, levied by themselves during and since the war. They have borne, not only with patience, but with patriotic alacrity, a burden of taxation without example in history. The object of this taxation has been attained, and even the disturbing waves of civil war have almost subsided, and friend

and foe, master and slave, are industriously adding to the national resources and contributing to the national taxes. Under these circumstances we ought to limit our demands upon them to the smallest sum consistent with the national credit and the proper maintenance of the different departments of the National Government.

Assuming, then, that our surplus revenue is to be disposed of by a reduction of taxes, we are enabled, for the sixth time since the close of the war, to perform this pleasing duty. We have already reduced taxes as follows:

By the act of July 13, 1866.....	\$65,000,000
By the act of March 2, 1867.....	40,000,000
By the act of February 3, 1868.....	23,000,000
By the act of March 31, 1868 } .....	45,000,000
By the act of July 20, 1868 }	

Making a total of.....\$173,000,000

The real question is, What taxes ought to be repealed? which among them bear most upon the industry of our people? We have two systems of taxation, entirely distinct in their origin, in the laws governing them, and in the officers administering them. Our internal revenue system is the product of the war. It was improvised to meet a sudden exigency. The taxes imposed under it are immediately felt; they are direct; they fall upon our own industry. Our customs duties, though largely increased during and since the war, have been in force since the formation of the Government. They are levied mainly at five large cities. They are indirect. They are mainly upon articles of luxury or consumption, so well distributed that the taxes fall fairly and in just proportion to ability to pay. To the extent that they are levied upon articles similar to our own productions, the taxes foster and protect home industry. Though we may differ very much about mere theories, yet it is likely under any administration that the chief burden of taxation will rest upon imported goods. These now yield us \$185,000,000 in gold, and this revenue is not likely to diminish. The question is, whether it is not better to retain this revenue, retain this system of customs duties, and for the present confine our reduction of taxes to the new and direct laws of internal taxation.

If we examine the details of our customs duties, it will be found that they are as well distributed as any taxes on consumption can be. The real objection to them is that they fall entirely on consumption. Property does not pay any portion of them. If, in fact, the consumption of taxable goods used by the poor bore the same proportion to their property or income that the consumption of the rich does to their property or income, then the tax would be as equitable as any tax can be; but this is not so. This fact ought to be borne in mind in adjusting other taxes on property or income. Nearly one third of all our customs duties fall upon articles of food, the products of tropical climates, such as sugar, tea, coffee, and the spices. Duties on these articles are purely revenue duties. They are stable, for their consumption does not much diminish by increase of price. They are as generally diffused and as lightly felt as any portion of our taxes.

We levy not less than thirty millions upon raw articles, the basis of

our domestic industry, which is not only added to the cost of the domestic product, but also tends to prevent domestic production. The tariff is commonly denounced as a high protective tariff, in order to arouse old political controversies; but in fact it is so framed as to produce the largest revenue upon the smallest importations. The average rate of duty levied extends to nearly all articles imported into this country. It would be a more protective tariff if the duties on products of tropical climates were repealed. It would be still more protective if the duties on raw products were repealed.

The true distinction between a protective tariff and a revenue tariff is that a protective tariff consists of high duties on articles of foreign production that come into competition with domestic productions, and low duties on all other articles. A purely revenue tariff consists of high duties on articles of foreign growth that we can not produce, and low duties on articles that we do produce. The latter encourages importations and swells revenues. The present tariff levies high duties on nearly all the productions of foreign countries, both raw and manufactured productions, both such as we can not produce and such as we can produce. It is, therefore, the best revenue tariff we have ever had, yielding the largest revenue possible. Its protective features are very much modified by the duties on raw materials and on the tropical food which enters into the cost of domestic labor. The general effect of the present tariff has been largely beneficial to our industry; and I am not anxious for its reduction until we have largely reduced our internal taxation. When the tariff is reduced there will be a struggle of opposing interests. It should be done with great deliberation. When done, it should be upon some general principle of financial policy, such as guided Sir Robert Peel in 1842, and by the application of general rules not to be departed from by the demand of isolated interests.

If the purpose is to reduce revenue duties, it can easily be accomplished by enlarging the free list, or reducing the duties on tropical fruits. If it is to reduce the protective duties on metal and textile fabrics, it should be by a fixed percentage. The mere reduction of a small amount of either class of duties will not give the country that relief that will be given by an equal amount of reduction of internal taxes. I make these general observations without any desire to pre-judge a revision of the tariff when the subject is presented by the House of Representatives, but only that I may present to you the great relief that our surplus revenue enables us to give our people by the repeal of internal taxes. Indeed, I hope that the tariff bill now pending in the House of Representatives may pass at this session in the form deemed best by the House, and then that it may be subject to the scrutiny of the people, so that at the next session the Senate may propose such amendments as a full and patient investigation may show to be necessary. It is manifest that at this period of the session such an investigation is impossible; and that if a greater reduction of revenue than I will propose is deemed prudent, it should be done by enlarging the free list, or by reducing the duty on a few products, such as sugar, coffee, and tea.

The question then recurs, What internal taxes ought to be repealed? How can we within the limits of our surplus give most relief to our constituents? And here the Committee on Finance were met with a difficulty growing out of the necessity, in our opinion, of continuing the income tax in a modified form.

We are restrained by the constitutional provision which declares that the House of Representatives alone can "originate bills for raising revenue." The question occurred, whether or not a committee of the Senate ought to undertake to introduce a bill reducing revenue. It is the general sense of the Senate that we have a right to originate a bill reducing revenue. We introduce appropriation bills every day. It is the established law and practice that the Senate has the right to originate appropriation bills, funding bills, loan bills, and all other forms of financial legislation except a tax bill "raising revenue."

I can show precedents without number on this point. The question whether or not the Senate can originate a bill which reduces revenue has never been made, because the occasion has never arisen. I have no doubt of the power of the Senate to do it; but while we are throwing off revenue, we propose to renew and continue some portion of the income tax, which by existing law expires with this year. The Committee had some doubt whether it was wise for them to present any bill reducing taxes, as we wished to make no controversy or question with the House; and the only reason why it was done was because, in the then condition of affairs, there seemed to be a probability of so great delay in the reduction of taxes, that we thought it our duty to bring the subject before the Senate promptly.

If two or three months ago a bill had been introduced and passed repealing all special taxes which are levied on the first day of this month, it would have given a vast deal of relief to our people. We are entirely able to do it. These taxes are mainly levied in the month of May, and consequently will be assessed for the present year. Because of the long delay in these measures of relief, the Senate Committee thought it proper to introduce and report a bill to reduce taxation, which we believed to be within our constitutional power.

I am rather inclined to think that it is not within the power of the Senate to introduce a bill to continue a tax that has expired or will expire by its own limitation. There is no doubt about our power to reduce taxation, but there is doubt of our power to continue the income tax after its expiration. In my judgment it is necessary to maintain, for a time at least, the income tax; and therefore I agree that it is better to postpone action on the Senate bill to reduce taxation, until we have the action of the House on the bill for that purpose since reported to the House.

It now only remains to point out those taxes which, in the opinion of the Committee on Finance, ought to be repealed, and those that ought to be retained. I have had prepared for the benefit of the Senate a statement, now on your tables, showing the precise taxes that are proposed to be repealed and those proposed to be retained.

The first and most oppressive form of taxation, in my judgment most indefensible in principle, most unusual in practice—indeed, I

know of country that levies it except our own, and certainly it was levied very much against my opinion, and, I may say, also of other members of the Committee on Finance—is the tax on sales, which yielded us last year \$8,206,839.03. There is no objection to any kind of tax that is not applicable to this. It is a tax on industry; it is a tax on the most careful, the most prudent, and the most energetic of our people; it is a license tax, a tax on employments. It is a tax that requires espionage, because it is estimated by the amount of sales, and every merchant's books must be liable to be investigated by the tax-gatherer. It is a tax that, in my judgment, ought to be the first of all repealed. It applies to dealers and manufacturers of all kinds.

The tax on gross receipts is also a most oppressive form of taxation. It applies to the gross receipts of corporations, transportation companies, railroad and insurance companies. If this tax was paid out of the accumulated profits of those corporations, it might be, in the prosperous condition of our country, right enough to continue it; but this tax is at once charged over to the individual. Every passenger that travels on a railroad pays this tax. The law so provides in words; and, indeed, in some cases individuals pay several times the amount. The street railroad companies, in order to cover the small fraction of a cent tax levied on them, have added one cent to their fare. Nearly all the street railroads in the United States have done so. So with insurance companies. They always add the amount of the tax to the premium on insurance. This tax on gross receipts is, therefore, a tax on insurance and on the transportation of persons. It yielded \$6,300,998 last year, and is proposed to be repealed.

The taxes on legacies and successions have always been invidious and odious, and very imperfectly collected. If they were taxes only upon collateral inheritances, as upon a grand-nephew who acquired an inheritance by the death of a remote uncle, there would be no great sympathy for the subjects of the tax; but the great body of these taxes is levied on the son who inherits from the father, the lineal issue, or ancestor, the brother or sister. So we propose to repeal these taxes. They yielded about two and a half million dollars last year.

The articles in schedule A, as it is called, billiard tables, carriages, gold plate, watches, etc., are next proposed to be relieved from tax. In principle and theory it would be well enough to collect that tax, but it yields us less than a million dollars. It throws upon assessors a vast amount of work, and does not compensate for the expenses of collection. We propose to repeal that, and leave the watches and gold and silver plate, which yield us very little, to the State authorities.

The tax on passports, which is continued in the House bill, yields but \$29,453. It is an invidious tax, and there is no occasion for continuing it; it is too small.

The tax on salaries of United States employees is a grossly unequal tax, as it is now levied, because a clerk who is employed in the departments here does not get the benefit of a deduction for the rent, taxes, and other exemptions allowed to other incomes. It denies to our own officers the exemptions allowed to all other persons on their income tax. It is proposed, therefore, by the Senate bill to repeal this tax by name,

and to require the person receiving an income from the Government in the way of salary to include it in his general return, so that if he pays an income tax he pays it on his salary at the same time that he pays it on other income.

The tax on banks and bankers, and all the special taxes, I may say, amounting to nearly ten million dollars, it is proposed to sweep entirely out of existence.

The chief difference between the Senate bill and the House bill to reduce taxes is, that the House bill preserves a considerable number of the special taxes. The House bill proposes to retain the tax on banks and bankers, billiard rooms, bowling-alleys, brokers, claim agents, and a vast number of others. The Finance Committee, however, were of opinion that it was better to strike out the whole list of special taxes, excepting the taxes on whisky and tobacco. The result of this will be a reduction of revenue of about ten million dollars, but it gives vast relief to every branch of industry. There is no tax so unequal, with perhaps the exception of the tax on sales, as this tax called the special or license tax. It levies the same rate on the poor lawyer who travels twenty miles for a fee of ten dollars, as it does on the lawyer of the highest rank in the profession. It is impossible to continue this system of taxation without continuing gross inequality. The Finance Committee, therefore, propose to repeal the whole mass of these taxes. The result will be, in our judgment, to dispense with the services of nearly two thirds of the assistant assessors and deputy collectors, diminishing largely the machinery for collection, and abolishing at one stroke nearly all the taxes that come home to the people of the United States. We propose, also, to modify the income tax, which I will explain more fully hereafter.

The reduction, according to the plan proposed by the Committee on Finance, is, upon the basis of last year's returns, \$43,597,774, but upon the basis of the actual receipts for the current year would be \$46,000,000. My own impression is that to this there ought to be added the repeal of the tax on gas, which yielded \$2,000,000, and the repeal of the stamp tax on receipts, and various forms of minor stamps, amounting to about two million dollars more, making an aggregate reduction of about fifty million dollars. This would then sweep out of existence all the taxes levied by the internal revenue service upon everything except spirits, tobacco, fermented liquors, larger stamps, and a small income tax, leaving unrepealed taxes to the amount of \$116,441,000.

The tax on spirits yields us about \$50,000,000 a year; and in my judgment it ought to be made to yield \$60,000,000, and gradually increase as frauds are cut off and consumption goes on. The tax on tobacco is constantly increasing in its yield; it is now \$30,000,000. And these two taxes on spirits and tobacco, together with the tax on fermented liquors, over six million dollars, are paid without complaint in every part of the United States. I have no doubt the system of collecting these taxes can be simplified. My own judgment, after careful examination of the whole subject, is that, while the rate of taxation ought not to be increased, the manner of taxing can be simplified and changed very much indeed. But at any rate the Committee do not



propose to interfere with any tax now levied on whisky, tobacco, or beer, leaving them to stand on the present system until we can have time to make a careful and full revision of the whole system.

The tax on spirits is now levied in four different forms: first, a tax of fifty cents a gallon; next, a tax of four dollars a barrel; next, a special tax on sales; and again, on liquor-dealers; yielding on the average about seventy cents a gallon. It may be that, after a short experience, it may be found better to combine all these taxes and levy them at once.

The bill of the Committee on Finance strips the revenue service of the vast machinery which in the nature of things interferes with the daily business of life, and it disbands or removes from sight the army of revenue officers. The taxes on spirits and tobacco will be collected at the distilleries and manufactories; the stamp tax collects itself; and the income tax is an annual assessment, similar to the annual tax on personal property levied by the States. The appearance of the tax-collector will only be necessary in the few special subjects of taxation still retained. The income tax will be acquiesced in as the tribute of property for the services and sacrifices of the brave men who saved our country.

There has been a great deal of clamor against the income tax. It is the same clamor that induced the Parliament of England in 1816 and 1817 to repeal the income tax. I have stated that when the proper time came I would show that this tax was sustained by principle, by writers on political economy, by the experience of Great Britain, and that it was the most just and equitable tax levied by the United States. I propose to make good that promise.

Mr. President, what is the basis of taxation? As laid down by the great author of political economy, Adam Smith, it is that a man ought to pay exactly according to his income. That axiom was laid down before the income tax was devised by William Pitt. Every man ought to pay according to his income. All the distinctions that are endeavored to be made now were then pointed out. The first time the income tax was levied in England was in 1797. William Pitt, when driven by the sad necessities of the war with France, was called upon to devise new systems of taxation. There was a vast deficit, and the credit of that powerful nation was staggering. He first proposed in 1797 what is called assessed taxation, taxes on land and property—to take what a man was worth and levy a tax on that. It was found after one or two years' experiment that it entirely failed, for gross frauds were committed, and it was impossible to ascertain the exact value of a man's property; and the system was abandoned.

Then it was, after an elaborate speech, which meets and answers every objection that has since been made to the income tax in practice, that he proposed a tax of ten per cent. on all the incomes of Great Britain. After a debate running through days and weeks the income tax was adopted. For years such a tax was levied by Great Britain, falling alone upon the wealthy people of that kingdom. For two years, I believe, it was maintained at that rate, and then lowered about the time of the peace of Amiens, and then raised again; and during the

whole war, with very little variation, there was an income tax levied of ten per cent. on all the incomes of Great Britain; and during that time, as history shows, there was vast and unequalled prosperity in England.

After the war was over, a great clamor for the repeal of the income tax came from the property-holders of Great Britain. They said that during the war they had paid the income tax willingly, because they feared the aggressions of the French democracy more than taxation. They were willing to pay an income tax to preserve their privileges and immunities. After the war was over, they insisted upon piling all the burdens of Government on consumption, which is a tax on the poor. They repealed the income tax, and assessed nearly all taxes on excises and imports. They said the true subject of taxation was not property or income, but consumption. Well, what is a tax on consumption? Why, sir, you or I use as much tea, coffee, and sugar as the wealthiest man in the United States. It takes just as much to satisfy our wants and the wants of the poorest of our citizens as those of the richest. A tax on consumption, therefore, is in its nature an unequal tax; you can not make it equal. It takes a greater proportion of the earnings or income of the poor man than of the rich man to pay taxes for the absolute necessities of life.

The only discrimination in our tax laws that will reach wealthy men, as against the poorer classes, is the income tax. There is no other tax on property levied by the United States. The tax on legacies and successions, which was in the nature of a property tax, is about to be repealed by the agreement of the committees of both Houses; and the income tax is the only tax levied by us that bears upon property in any shape or manner. All the rest of our taxes, both internal and external, are taxes on consumption.

Now, according to every true theory of taxation, a large portion of the taxes ought to fall upon property or income derived from property. We can not levy a property tax under our system, because the Constitution requires the property tax to be apportioned among the States according to population. As this would be grossly and manifestly unequal to the new States and new communities, the only mode in which we can reach property is by an income tax; and therefore it is that the income tax is paid by comparatively few persons in the large cities. I do not find fault with them because they complain of it; but if they would see that it was their property and their rights and their income that were saved by the operation of the war, and that most of the people who pay the taxes on consumption necessarily pay nine tenths of all the taxes, the property-holders and wealthy people of this country ought not to complain if we deem it necessary to maintain this tax even at five per cent., instead of, as we propose, at three per cent.

The aggregate of our taxes, as I have shown you, is \$393,000,000; and we levy only \$37,000,000 of that upon property, or the income from property. We levy nine tenths of all our taxes upon food and clothing, and those things which are consumed by the use of them. For property-holders, wealthy people, those who derive a large income from their profession or employment, from their brains or intellect, to complain of this tax, it seems to me, is very unjust.

It has already been decided by the Supreme Court that direct taxes, within the meaning of the Constitution, are taxes upon land and slaves; so that I say an income tax, although always in the books laid down as a direct tax, is, in the language of our Constitution, an indirect tax, an "excise."

Now, I propose to read a few extracts from some of the debates in Parliament, and these extracts will be a sufficient answer to the alleged hardships of the income tax, and what are called its inequalities and difficulties of collection. I will first read what Mr. Pitt said in regard to this tax when he first proposed it, which goes back to the very origin of it, December 14, 1798:

As to the criterion of the general tax, it has likewise been objected to the details that the application is unequal in respect to the nature of income, its duration, etc.

The honorable gentleman says that if two persons have each £500 per annum, one of whom derives his income from land and the other from industry, they ought not to be both taxed equally at £50. [That was the ten per cent.] He assumes that, each having £450 a year left, the impost is unequal. What does the new tax do? Are they not left in relation to each other precisely as they were before? The tax creates no new inequality. The justice or injustice remains precisely as it was. To complain of this inequality is to complain of the distribution of property; it is to complain of the constitution of society.

Again, Mr. Pitt says:

To think of taxing these two species of incomes in a different ratio would be to attempt what the nature of society will not admit, what has never been practiced in the course of four thousand years. But on what foundation does this principle, which the honorable gentleman has broached, rest? Where is the clear inequality on which he so vehemently insists? Is the industry of the artist, the manufacturer, the mechanic, less the creature of the protection of law, less involved in the great contest in which we are engaged, less likely to be overthrown in any disasters of the State, than the income which arises from land?

Mr. Pitt further says:

It is objected still that it is unjust that the man who has an annuity, or an income, the fruit of his labor, should pay in the proportion of a man who has the same revenue from fixed property. This objection is altogether a fallacy. A permanent estate, which is represented as never dying, and, as it were, the property of a man after his death, contributes on every exigency which may occur. The income from labor and industry is extinguished; it contributes but once; it is no longer the property of the same person; while the other, which is considered as the same property, is subject to renewed demands.

A permanent income is subjected to a permanent yearly tax, while a perishable income is only subjected to one tax.

This reasoning may be thought refined, but the answer is justly applicable in the case where the reason why fixed property should contribute more is founded on its supposed permanency in opposition to the fleeting character of the other. How, then, is it possible to discriminate between the various kinds of property, or to enter into the details which could alone enable you to apply any scale of exemption without an investigation more oppressive, a disclosure more extensive than anything which the bill permits? How much safer is it to submit to those inequalities which are the lot of man, and which it is not the business nor is it in the power of schemes of finance to correct! Could we even indulge the wish to correct these inequalities which arise out of the very nature of society, is this the legislative remedy? Let us then forbear to attempt what is perhaps beyond the power of human legislation to correct.

This is a sufficient answer to the objection made that the income derived from professional employment ought to pay a less tax than an

income derived from land. Income derived from land is perpetually taxed year after year in the land itself, while the income derived from personal profits or from professional employment perishes by the payment of one tax.

I stated that after the close of the war with France the English income tax was repealed; and it was not till 1842, when England had been drifting always to leeward, with her debt always increasing, when there was an actual deficiency of some £2,000,000, and it became necessary to revise the whole system of taxation, that Sir Robert Peel had the courage, in two houses of Parliament which represented nothing but property (for property is enthroned in Parliament), to come forward and propose an income tax, and stake his political life on it. He turned his back, as is well known, on his political friends, and proposed a renewal of the income tax, in order to relieve the masses of the people from the weight of taxes upon consumption—corn, food, etc. From the speech which he made upon that occasion I will read brief extracts. Sir Robert Peel said in the House of Commons, March 11, 1842:

I will now state what is the measure which I propose, under a sense of public duty and a deep conviction that it is necessary for the public interest, and impressed at the same time with an equal conviction that the present sacrifices which I call on you to make will be amply compensated ultimately in a pecuniary point of view, and much more than compensated, by the effect they will have in maintaining public credit and the ancient character of this country. Instead of looking to taxation on consumption, instead of reviving the taxes on salt or on sugar, it is my duty to make an earnest appeal to the possessors of property for the purpose of repairing this mighty evil. I propose, for a time at least—and I never had occasion to make a proposition with a more thorough conviction of its being one which the public interest of the country required—I propose that, for a time to be limited, the income of this country should be called on to contribute a certain sum for the purpose of remedying this mighty and growing evil.

Again he says:

In 1798, when the prospects of this country were gloomy, the minister had the courage to propose and the people had the fortitude to adopt an income tax of ten per cent. The income tax continued to the close of the war in 1802; and in 1803, after the rupture of the peace of Amiens, a duty of five per cent. was placed upon property. It was raised in 1805 to six and one quarter per cent., and in 1806 again to ten per cent.; and so it continued to the end of the war. I propose that the duty to be laid upon property shall not exceed three per cent., or, as I said before, exactly £2 18s. 4d., being seven pence in the pound. Under the former tax all incomes below £60 were exempt from taxation, and on incomes between £60 and £150 the tax was on a reduced rate. I shall propose that from the income tax I now recommend all incomes under £150 shall be exempt.

The objection which Sir Robert Peel was answering at the close of this extract was that the income tax was only a war tax; and he answered it precisely as I answer in regard to our tax, that the income tax is still a war tax. But for the war no internal duties would be necessary. The whole of them are war taxes. It is one of the misfortunes of war that taxation continues long after the war has ended. If the property of this country would simply agree to pay the pensions incurred by the war, I should be perfectly willing to compromise in that way. If a sufficient income tax was now levied on property to pay what is paid by the Government to the maimed and diseased soldiers of the country, their widows and orphans, it would be the least

that the property of the country could do. The answer of Sir Robert Peel in that case was, that all taxes for the payment of the interest on the public debt were war taxes. The taxes of peace are very light. Sir Henry Goulburn, in answer to that objection, said in the House of Commons, March 18, 1842:

But the right honorable gentleman said the income tax ought never to be imposed except under the condition of war. What, however, was this fanciful distinction as to war? The tax was not imposed because they were at war, but because they were involved in difficulty in respect to raising a revenue, because they were involved in debt, and because they were bound to extricate themselves from debt.

But there is another argument often used against the income tax, that it operates unjustly upon different classes. Upon that point let me read another extract from the same speech of Sir Henry Goulburn, which I think covers that matter very well:

Then the right honorable gentleman had talked about the injustice of the proposed tax, as not pressing in the same way on different classes. "Unjust, unequal," cried the right honorable gentleman. Why, this was the very language which he had seen in the streets on the placards of some low weekly papers. "No income tax, no inequality, no injustice." It was impossible not to be sensible that taxation must be necessarily an evil. It was impossible, in the present state of society, to impose any tax (so complicated and so artificial were the relations and the interests of the community) without pressing with greater force on one class or on another. Nor would he say that an income tax was exempt from this objection, applying as it did equally to all taxes. But look at the articles of taxation which the right honorable gentleman himself proposed. How did they operate? Did they press equally on all classes? Did they not press more heavily on the lower and the middle classes, to whom they were necessary? Was it not in the power of the higher and richer classes often to relinquish articles which their inferiors in society must consume? Was it, then, fair to tax equally articles necessary to one class, luxurious to another?

The excise duties, for instance, appeared in some respects oppressive or unequal in their operations, with a considerable degree of domestic inquisition, all of which had been and would be characterized as exceedingly vexatious. All the eloquence which the right honorable gentleman had used against the income tax had been used in former times by those who had pointed out the excise duties as containing every possible vice; and of this the right honorable gentleman might be assured, that all the accusations which he had brought against the property tax would be repeated from time to time against any tax that might be invented, certain as it must be to affect some particular interests. Let not the House suppose that in bringing this measure forward as essential to the interests of the country the Government had not been fully sensible of the difficulties under which they would have to labor, had not been quite aware that when they struck at the incomes of the country they should excite a feeling to a considerable extent against the measure and the administration. But they knew enough of the patriotism of the country to believe that, whatever might be the feelings of individuals, there was yet abundantly sufficient respect for national honor, of affection for our constitution, and of determination to uphold it, to counteract particular objections, and to induce the people to sustain cheerfully a tax levied on the principles of burdening as little as possible the poorer and the working classes.

I will now read another extract from Sir Robert Peel's second speech, because this debate is memorable, not only in point of time, but in point of influence upon English politics. In his speech of March 18, 1842, he said:

If in a time of peace—a time of European peace—you have a large deficiency to supply, and consider it more just that the affluent classes shall supply it, rather

than pressing upon the poor by taxing articles of consumption, adopt that course, and do not be afraid of what foreign countries may think of your resources.

One argument against the income tax in England was that to levy it would be a confession of weakness by Great Britain. Again he says :

With such a deficiency as I have pointed out, is it better, then, to call upon the income of the country to supply it, or to tax articles of general consumption? . . . Mr. Pitt, wishing to affect the property of the country, produced a plan by which the assessed taxes paid at a preceding period should be considered the test of property. He tried to obtain a ten per cent. income tax by that criterion; but he was obliged to abandon it, and my belief is that a house tax would be much more unjust in its operation than an income tax. The objection to the income tax is that it is inquisitorial. I do not deny the objection; but apart from that, I feel it to be one of the best taxes that can be imposed. Three per cent. in the present condition of the country is absolutely necessary to procure the supply, and I make the proposition from a firm conviction that it will be infinitely less onerous and more just than any other tax. . . . My settled opinion is that the burden will be less than that arising from any other tax we could devise. . . . I do trust, however, that this tax will not be condemned upon individual cases of hardship, but that the House will rather attend to general results, and fairly consider whether any other tax equally just can be found which will be equally effectual in raising the required supply for the public exigency. . . . If there is to be an income tax at all, it must be uniformly laid upon all income, and in no case whatever can I allow a distinction to be drawn. . . .

The more I look at this question, the more I consider the amount of the sum to be raised, the more confident am I that the best measure now to be adopted is to resort to a tax upon income, rather than to impose a tax upon those articles of excise and customs to which I have referred. . . . I believe that such an attempt would far more disturb the application of capital and the operations of active industry than will a call upon each individual to pay three pounds out of every £100. I have a strong conviction that the great mass of the lower classes will consider the voluntary determination of Parliament to accept for themselves and to impose upon the wealth of the country this tax for the purpose of relieving its burdens—I have a strong conviction that it will be generally hailed on the part of the country as a strong proof of the determination of the upper classes to bear their fair share of taxation.

Again, Sir Robert Peel says :

The first objection of that honorable gentleman, the member for Liskeard, was a curious one. He objected to the tax because the people would be enabled to see what was taken out of their pockets. Now, this is exactly so. An income tax is very sensibly felt in its operation. Taxes on articles do not come home so directly.

You say that income derived from fixed property ought to be made subject to the tax I propose, but that income drawn from professional exertion and the operations of trade ought not to be taxed, partly owing to the inquisitorial nature of the tax itself and partly from the nature of such property. But is it meant that the officer on half pay should contribute to the tax, and that the physician of £9,000 or £10,000 a year should not? You say that terminable annuities ought not to pay the same rate as landed proprietors; but would you say that a widow who has a jointure, a fixed sum per annum, which terminates with her life, would you say that she should pay the same amount? . . .

Then, sir, I am told that another great objection to this tax is that it encourages perjury and fraud; but I should like to know what is the tendency of indirect taxation. I should like to know what is the tendency of excise duties. I should like to know what is the tendency of all the excise regulations as to distilleries. Taxation, I take it, is inevitable. Taxes we must have. Sir, I perfectly agree with the honorable and learned member for Bath that nothing can be more frivolous or absurd than the extreme sensitiveness as to what a man's income may be. I believe that a very good estimate is usually formed of the state of men's circumstances by those who care about inquiring into other men's property and the state of their credit.

. . . And as to the terrors of the inquisition which I propose into men's private affairs, it is mere folly, if men will only act honestly and make *bona fide* returns. . . .

For my own part, I entertain a higher opinion of the integrity and fair dealing of the people of this country than to suppose that an advantage of such an amount as £2 18s. in the £100 could operate as a temptation to perjury and fraud.

The measure which I now propose is founded on reason and justice.

Again, Sir Robert Peel said that "a tax upon income was the basis of his financial policy, and he meant to defend that principle to the utmost."

On this occasion the income tax was again renewed at three per cent. ; and from that time to this, a period now of nearly thirty years, the income tax has been retained by a vote of Parliament, renewed from time to time, and is now a part of the fixed financial policy of Great Britain. Sir, it was the income tax imposed at the time by the proposition of Sir Robert Peel that enabled England to repeal her corn laws, her tax on food. It was the beginning of the great prosperity she has had for the last twenty years. This tax was carried, as I said before, in the House of Lords, and in the House of Commons, where every member represented property rather than persons, and all the members of which were elected by about one million voters, instead of as in this country, where we have seven million voters.

My honorable friend from California referred me the other day to Sir Robert Peel and Mr. Gladstone as being against the income tax ; and yet they have supported it and maintained it. Sir Robert Peel and Mr. Gladstone, being at the head of the British Government in different periods of time, have sustained it throughout. I have here copious extracts from speeches made by Mr. Gladstone on the subject. In the debate in the House of Commons on the 23d of May, 1853, Mr. Gladstone said :

I only wish to remind the committee that the main objects which the Government have in view in proposing the renewal of the income tax for a considerable time are these two : in the first place, to give stability to our system of finance ; and in the second place, to put the tax upon such a footing, and so regulate its provisions by a progressive descent of the rate, as may bring it to a point in which it will probably be in the power of Parliament to part with it altogether, if so disposed.

Speaking of the inequality of the income tax, he said :

In the main I admit what is stated with respect to those inequalities. I think, however, that upon a minute and careful examination we shall find that other taxes have likewise many gross inequalities in their operation, which, however, are veiled and concealed in a very considerable degree, while those of the income tax have, at any rate, the merit of being tolerably patent on an examination of the case.

Mr. Gladstone again said, as to the idea that an equal rate of income tax is unjust :

I have always felt that that sentiment is not supported by reason ; and such has been the opinion of much greater men who have had to deal with this tax.

Mr. Gladstone, on the 23d of April, 1863, speaking on a resolution to the effect that the tax on precarious incomes should be lower than that on permanent incomes, said :

If a man is not able to pay his income tax, neither can he afford the duty on tea and sugar. The two stand exactly on the same footing, and the same argument applies to each. The tax is objectionable because it leads to fraud, a charge which, I

am sorry to say, experience convinces me can not be exaggerated in its gravity and extent. But with all these disadvantages it is after all a tax, as the country feels, which is founded on principle; and the fact that it has existed so long with equal rates is of itself a great advantage.

Two committees of the House of Commons, one in 1850 and another in 1861, who spent a long time in investigations of propositions for amending the income-tax law, made no report, having concluded that the law as it stood was as good a one as could be framed.

In 1864 the House of Commons voted down the following resolution:

*Resolved*, That the inequalities and injustice attending the operation of the existing property and income tax disqualify it for being continually reimposed in its present form as one of the means for levying the national revenue.

The present Chancellor of the Exchequer, Hon. R. Lowe, said in the House of Commons, March 16, 1869:

The real evil of the income tax, in my judgment, is not that it is levied in a partial manner on land or realized property or profits of trade, but that, from the necessity of the case, persons having such income as that included in schedule D are judges in their own cause, and that this in many instances holds out a temptation to those persons to give too favorable an interpretation of the amount of their liability. But to say that there is an objection to income tax is only to say that this tax is a tax; for the ingenuity of the human mind never did and never will devise a tax to which there are not objections more than plausible, and which would be absolutely convincing and irresistible if taxation were not a necessity.

Again, in presenting to the House of Commons the budget on Monday, April 11, 1870, he said:

I have received many deputations respecting the income tax, and I concede that a good deal may be said against this tax; but as I am not prepared with a substitute for it, I must continue the tax at such a moderate rate as will make it tolerable to those who pay it, preferring to give them a little uneasiness and discomfort rather than to strike out so great and useful a branch of revenue.

I might also read from various writers on political economy on this subject, John Stuart Mill among the rest. In the second volume of his "Political Economy," page 398, speaking of the conditions necessary for making this tax consistent with justice, he says:

1. That incomes below a certain amount should be altogether untaxed.

We exempt \$1,000.

2. That incomes above the limit should be taxed only in proportion to the surplus by which they exceed the limit.

We allow the same deduction of \$1,000 from all incomes.

3. That all sums saved from income and invested should be exempt from tax.

That also is provided for in our proposition. Then he proceeds:

An income tax fairly assessed on these principles would be, in point of justice, the least exceptionable of all taxes. The objection to it in the present low state of public morality is the impossibility of ascertaining the real incomes of the contributors. The supposed hardship of compelling people to disclose the amount of their incomes ought not, in my opinion, to count for much. . . . Notwithstanding, too, what is called the inquisitorial nature of the tax, no amount of inquisitorial power which would be tolerated by a people the most disposed to submit to it could enable the revenue officers to assess the tax from actual knowledge of the circumstances of contributors.



Here we have the testimony of this distinguished writer on political economy, broadly in favor of the continuance of the income tax; and he has repeatedly, as a member of the House of Commons, voted for it.

But, to come back to some of our own authors, Mr. Amasa Walker, lecturer on political economy in Amherst College, has written a very good work on the "Science of Wealth," in which he says, at page 322 :

It is unnecessary to say that this tax is in perfect accordance with the first maxim laid down by Adam Smith, "that every man should be taxed according to the revenue he derives under the State," and also consistent with every other principle we have stated. It is "clear and plain" to the contributor and every other person. The income-tax-payer knows when and how much he pays, and it can be collected as conveniently and economically as any other. . . . Of all modes of taxation this is the most just and equitable. Every man can afford to pay according to his income, and ought to do so. There is no other perfect standard of taxation; none other which does not inflict more or less hardship and injustice. . . . Were it to supersede all other forms of taxation, perfect equality would be established. Property and labor would bear each its just share of the public burdens.

Sir, if we could devise a system of taxation that levied upon the aggregate income of all the people of the United States a fair and rightful tax, it would be, as Mr. Walker says, the best of our taxes. He says further :

The objection to this form of taxation is the difficulty of ascertaining what a person's actual income is. In the first place, it is said that many do not know their own affairs so as to be able to state their true income. There is doubtless much of truth in this; but the very fact that such a tax is certain to be enforced every year will, in a short time, remove this difficulty to a considerable extent, because men will be compelled so to keep their accounts as to know what they gain or lose. The operation of the law in this respect therefore is favorable to private interest. . . . Secondly, it is said that some men will be dishonest in their disclosures and statements, and therefore a correct result can not be reached. That many men are dishonest there can be no doubt; but when the law taxing incomes is regularly enforced from year to year, the difficulty of concealment on the part of the tax-payer is constantly increasing. His neighbors and competitors in business have an eye upon him if they believe he is making false statements, and he can not long escape detection. . . . The immense difference between the reported incomes of the United States in 1864 and those of 1863, even after allowing for the general rise of prices, serves to give an idea of the advance that will naturally be made in the application of the income tax.

And I may say here that under the same law every year the income tax is increasing, although the actual income of the country is diminishing. Every year that the law is enforced we are getting nearer to an accurate income tax.

Mr. Walker says further :

The third objection made is that men do not always like to have their incomes known. But why should they not? We have already said that in the matter of taxation all are copartners, having a *pro rata* interest; what one does not pay another must. All therefore may rightfully demand such information as shall furnish the means of assessing a correct tax. . . .

Our purpose is to show that so far as practicable it (the income tax) is the most just and economical mode of raising a revenue.

Under the head of "State Taxation," Mr. Walker says :

That much hardship may often result from taxing credits as well as property is undoubtedly true; but that only affords additional evidence that the income-tax principle is the only correct one.

And again :

The income-tax principle, if universally adopted, while it would doubtless relieve poll-tax-payers of their present taxation, would at the same time bring their interests into harmony with those of property-tax-payers, and thus promote the general welfare of the public.

I might also read from another author, a citizen of Massachusetts, Mr. A. L. Perry, professor in Williams College, who says, in his "Political Economy," page 444 :

An income tax, if the exact amount of income could in all cases be ascertained, would be a perfectly unexceptionable form of taxation.

Again :

The income law at present in force in the United States has perhaps been subject to less complaint than the manufacturers' tax and other forms of indirect taxation; and it is becoming more and more productive every year, as the forms are perfected.

Mr. President, if Congress now repeals the only tax that rests upon property, the only tax that is drawn from the income of the rich, if we higgie about the tax that is paid by the 273,000 people who pay our income tax, and yet keep upon the people the taxes upon their sales, the special taxes upon their employments, and all the burdens that now rest upon every article consumed by the poor, it will be a sorry spectacle. An English Parliament, when appealed to under circumstances much less difficult, maintained for twenty years in war a tax approaching ten per cent. on incomes. After the war was over they tried the other policy. They then renewed the tax, and levied it at the rate of from one to three or four per cent. for nearly thirty years more. And now, when we are paying \$30,000,000 to our pensioners, when we are paying \$126,000,000 as interest upon the public debt, to complain of a tax of three per cent. upon incomes above \$1,000, on the ground that it is inquisitorial, unjust, and unequal, does not speak well for the patriotism of those who do it.

Most of the daily papers in the country seem to be united in the general complaint against the income tax. It is a good evidence that they are doing well and paying well, and they ought to be willing to pay their portion of the tax.

I repeat that the maintenance of the income tax is an absolute necessity for any system of internal taxes. If the Senate and House determine after full consideration to repeal the income tax, I shall favor the repeal of all the taxes upon consumption that bear upon the great masses of the people. If I had my way, I would retain the income tax at five per cent. on all incomes above \$1,000, making such modifications as would afford the proper exemptions, and then throw off these taxes upon consumption that oppress the poor, and take copers out of the dollars of people who earn them by their daily work.

Complaints have been received from widows and children whose incomes are less than \$1,000, who have had to pay an income tax upon

the dividends and interest received from their stocks and bonds. Now, the operation of the law in this respect is unjust, and ought to be corrected by the proposed measure. The operation of the income tax upon Government employees is unjust, because it does not put their income on the same footing as other incomes. The income derived from corporations is now subject to tax without the deductions allowed to other incomes. Why is that? It is because it is more convenient for the Government to collect the tax from corporations, and yet in that way we do levy an income tax upon the income of the widow and the poor derived from corporations, and do an injustice. If the Senate is willing to go that far, I should be very glad to see this corrected, and to allow all incomes, whether derived from corporations or from interest on bonds, to go into the general income return and to be collected directly from the person who receives it, giving all an equal exemption.

It is proposed in the House bill to increase the exemption from \$1,000 to \$1,500. I do not think that is right. It may be popular. There are now 270,000 people who pay income tax. If the exemption is raised to \$1,500, only about 170,000 will pay the tax, and 100,000 people will probably be relieved from it. But should they be? Is it just? Is it right? There is no reason for any exemption, except the fact that the incomes of those who receive less than \$1,000 per annum are necessary for their daily wants. They pay taxes on consumption which fully make up their share. When you go above \$1,000 you reach a region where persons are "passing rich," as Goldsmith's vicar says, "on £40 a year." They are independent when they have \$1,000 net income, after paying taxes and after deducting the exemptions provided by the income law. I do not, therefore, see any justice in raising the exemption, although I can see it would be very popular with the hundred thousand well-to-do people who would thus be relieved, throwing the whole burden upon those who are of the wealthier class.

If the income tax is maintained at the rate proposed by the Committee, of three per cent. on all incomes above \$1,000, including incomes derived from corporations and from all other sources, the people will gradually become accustomed to the tax, and those who are called upon to pay it will pay it cheerfully. It will be a mode of equalizing incomes from different sources, and will yield us from thirty to forty million dollars annually, probably enough to pay the pensioners who are now dependent upon our bounty.

I have thus stated, I know very imperfectly, the general ideas that influenced the Committee on Finance in reporting this bill. The substance of the whole is contained in the table which has been laid on the desks of Senators, and which I will add to my remarks. We propose to repeal about two thirds of the number of internal taxes, leaving nothing but the taxes on whisky, tobacco, fermented liquors, income, and stamps; repealing all the rest, and modifying the income tax and reducing it \$14,000,000. This will leave in force about one hundred and fifteen millions of internal revenue, which will be ample, with the amount we collect from the duties on imported goods, to

carry on the operations of the Government, pay the sinking fund, and leave us a surplus of from twenty-five to thirty millions annually.

This is margin enough for an equal reduction in other taxes during the next session of Congress, and this process of reduction will, I trust, continue until all the burdens of the war are lifted from the industry of our people; and all that will be left of a painful struggle will be the increased strength and power and glory of our country, compared with its condition before the war, when internal faction continually threatened its overthrow.

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## COINAGE LAWS.

*IN THE SENATE, JANUARY 9, 1871.*

THE bill (S. No. 859) revising the laws relative to the mints, assay offices, and coinage of the United States, being before the Senate as in Committee of the Whole, on the amendment of the Committee on Finance to charge three tenths of one per cent. for coinage, Mr. Sherman said:

ON a question of this kind, which involves rather a matter of business detail, it is somewhat difficult to secure the attention of the Senate, but I hope I shall secure it sufficiently to show that this amendment is vital to the passage of this bill. Without this amendment I certainly would not vote for it, and I imagine that a majority of the Senate would not if they understood the subject as thoroughly as most of the Committee on Finance, who have examined it.

The original bill, introduced by me at the last session of Congress, retained the old mintage charge of one half of .one per cent. on the gold coin of the United States. That bill was submitted to all the experts of the United States on the subject of mintage, and received the hearty approval of nearly every one of them, and generally (I think without any exception but the officers of the mint in San Francisco) they were in favor of retaining the minting charge, as it is called. I have before me the testimony of Mr. Patterson, who, I presume, is regarded as the best expert in the United States in the minting business, and he speaks of the retention of the mintage charge in the bill introduced at the last session of Congress in these words:

The present one half per cent. coinage charge is retained. The only mint where coinage is free is the British, and the political economists and statesmen are so unanimous in recommending a seigniorage that the Chancellor of the Exchequer proposes to introduce it into Great Britain. It would be strange if we, by retrograding, while she is advancing, should become the sole exemplars of an exploded system. It would, in view of an international coinage, be especially inopportune to abandon a seigniorage, for it is recognized on all hands that under such a code there must be a tax, and a uniform tax for coinage. (See section 25 of revised bill; also English coinage act, 1879, section 8, Senate Miscellaneous Document 132, Forty-first Congress, second session, page 34.)

The theory of the coinage charge is this: that every process of

minting should be self-sustaining; that the mints of the United States are established for the benefit of the people, to stamp the coin, and that the owners of the metal which is coined should pay the expense of minting. That has been the theory upon which the Mint of the United States has always existed, and the theory that has been adopted also in every other country except Great Britain, where it was departed from for a special reason. Therefore, in the original bill introduced last session, the mintage charge was maintained at one half of one per cent.

In the amended bill, which was sent to us by the Department after examination, this mintage charge was omitted; not for the purpose of expressing an opinion against the mintage charge, but for the purpose of submitting that question again to the Committee on Finance and the Senate of the United States. The Committee on Finance, after a careful consideration of the question, decided to restore it, but to reduce it to three tenths of one per cent., for the following reason: Under the old system, when the amount of gold coinage was much less than it is now, the expense of coining gold was about one half of one per cent., and therefore for many years the mintage charge was retained at that rate; but now, on account of the largely increased quantity of gold to be manufactured into coin, and also on account of the cheapening of the various processes of the Mint, the cost of minting is much less. I ascertained as nearly as possible the actual cost of converting standard bars into gold coin, and the concurrent testimony of nearly all is that it is about three tenths of one per cent. At that rate we propose to leave the mintage charge.

Mr. President, there are two questions that must be considered in deciding this matter: first, a question of revenue. It is proposed now by the Senator from California that the whole expense of the Mint, as far as gold coinage is concerned, shall be thrown on the Government of the United States; that the owners of the gold, whose property is to be benefited by passing through the Mint, shall bear no portion of it.

As a question of revenue, I submit to you, sir, whether, when we are taxing almost everything that is consumed, when our system of taxation has extended further than ever before, it is now wise to abolish a charge which yields us at the present rate \$150,000 a year, and which will yield us at the rate proposed by this amendment about one hundred thousand dollars a year? Is it worth while for us now, when we are seeking objects of taxation, to do this duty without any charge whatever, and thus render it necessary to make up the deficiency of revenue from other sources?

But this is not all. It must be viewed as a question of political economy. Now, as a question of political economy, the testimony in its favor is overwhelming. I could produce here every writer on political economy in England and in the United States to show that the coinage charge is defensible and it is maintained by every one of them as proper in itself. The general proposition may be made that the Government ought not to confer additional value upon the property of individuals without receiving compensation. This Govern-

ment is not established for the purpose of promoting the interests of private individuals simply, and the mintage system is not established for the mere purpose of inducing people to go into the manufacture or digging of gold. The mints are established for the purpose of securing the coin of the country from debasement and deterioration; and we charge to those persons whose coin is stamped with our insignia only the mere cost of the process, seeking to make no money out of them, but not giving them a benefit at the expense of the people of the United States.

No country in the world has ever established a system of free coinage but England, and England has maintained it for one hundred and fifty years against the judgment of every writer on political economy that has written during that time; and within the last year a proposition has been made in Parliament to restore the charge on coinage, which has been postponed for the present on the ground that negotiations are in progress to establish an international coinage, on the establishment of which all nations will probably adopt a common rule of seigniorage. I have here the debates in Parliament a year ago last summer on this subject. The Chancellor of the Exchequer, Mr. Lowe, in referring to the peculiar position of England on the subject, quotes the opinions of several well-known writers on political economy; and I will read some of them. Sir Dudley North says:

The free coinage is a perpetual motion found out, whereby to melt and coin without ceasing, and so to feed goldsmiths and coiners at the public charge.

Adam Smith, the founder of the science of political economy, says:

When the tax upon a commodity is so moderate as not to encourage smuggling, the merchant who deals in it, though he advances, does not properly pay the tax, as he gets it back in the price of the commodity. The tax is finally paid by the last purchaser or consumer. But money is a commodity with regard to which every man is a merchant. Nobody buys it but in order to sell it again, and with regard to it there is in ordinary cases no last purchaser or consumer. When the tax upon coinage, therefore, is so moderate as not to encourage false coining, though everybody advances the tax, nobody finally pays it, because everybody gets it back in the advanced value of the coin.

Our mintage charge is simply the net cost of the process, no more. Again, Adam Smith says:

The Government, when it defrays the expense of coinage, not only incurs some small expense, but loses some small revenue, which it might get by a proper duty; and neither the bank nor any other private persons are in the smallest degree benefited by this useless piece of public generosity.

So Mr. McCulloch, a well-known English writer on political economy, says:

Coins charged with a seigniorage equal to the expense of coinage do not pass at a higher value than what naturally belongs to them, but at that precise value; whereas, if the expense of coinage be defrayed by the State, coins pass at less than their real value.

Because it only passes at the value of bullion.

A sovereign is of greater utility and value than a piece of pure unfashioned gold bullion of the same weight; because, while it is as well fitted as bullion for being used in the arts, it is, owing to the coinage, better adapted for being used as money,

or in the exchange of commodities. On what principle, then, should Government decline to charge a seigniorage or duty on coins equal to the expense of coinage; that is, to the value which it adds to the coins?

Ricardo expresses his opinion in still stronger terms. So Mr. Mill, in his "Principles of Political Economy," at great length comments upon it. I will read a short extract from Mr. Mill:

If Government, however, throws the expense of coinage, as is reasonable, upon the holder, by making a charge to cover the expense (which is done by giving back rather less in coin than has been received in bullion, and is called levying a seigniorage), the coin will rise to the extent of the seigniorage above the value of the bullion. If the mint kept back one per cent. to pay the expense of coinage, it would be against the interests of the holders of bullion to have it coined until the coin was more valuable than the bullion by at least that fraction. The coin, therefore, would be kept one per cent. higher in value, which could only be by keeping it one per cent. less in quantity than if its coinage were gratuitous.

So I might go on through the whole catalogue. While England is the only nation which has ever coined the gold of private individuals at the expense of the public, every writer on political economy in England has always denounced the system as unwise; and Mr. Lowe says that when international coinage is accomplished Great Britain will undoubtedly charge the same seigniorage that is charged by other nations. In France the seigniorage is one fourth of one per cent.; in Germany it is rather more than our own; it varies in different countries, depending on the cost of minting; and we propose now to reduce the coinage charge from one half to three tenths of one per cent.

Mr. President, what do we gain by throwing away this revenue? Nothing whatever. Suppose we convert all the bullion made in the United States into coin, into twenty-dollar gold pieces, and it is put up in packages and exported in coin instead of in bullion, do we gain anything? When it reaches Great Britain it at once goes to the mint there and is melted into English sovereigns, and we gain nothing; but we lose our labor. When bullion is changed into coin, its exportation is not prevented; it is more convenient to export; and the very object which the Senator from California wishes now to attain is defeated by his proposition. He says he wishes to prevent our gold coin from being exported. Well, sir, if he makes the gold into coin without cost, so that it represents simply the value of so much bullion, it will be exported in coin and will be remelted in foreign mints, because foreign coin never passes current at its full value; the United States will therefore lose the expense of coinage of this bullion without benefiting any one. It is no advantage to us to give additional value to gold coin to be exported, and remelted in the mints of foreign countries. We get the full value of the gold in our foreign commerce when it is exported in the form of bullion, and to convert it into coin will not prevent its going abroad. On the contrary, the charge that we make for minting prevents it from going abroad, because it makes the coin a little more valuable than bullion. The United States, in assaying gold, charges for the expense of assaying and refining gold. This very bill provides that from time to time the Secretary of the Treasury shall regulate the amount of these expenses, and shall charge the owners of the gold deposited with the net cost. We propose to apply the same

rule to coinage that we do to assaying or any other process in the Mint.

I do not think it is necessary for me to pursue this argument. The subject has been critically examined. The officers of the mint at Philadelphia, and, as far as I know, the officers connected with this subject generally, are in favor of retaining this charge, except only the officers of the mint at San Francisco, who desire to enlarge their business at the expense of the people of the United States.

This bill has been carefully framed. It considerably increases the expense of the mints of the United States, and it lowers the mintage charge. I believe, on the whole, it is a careful and safe revision of the mintage laws; and even though the Senator from California and persons who are interested in the question are not satisfied with the large benefits conferred on their particular region by its terms, I do not think it is wise for the people of the United States to assume what they have never assumed heretofore, the expense of coinage. The mints are not entirely self-supporting under the present law, although nearly so, and probably will not be under this bill; but we may make enough profit in coining nickel and silver to cover the expenses of the mints. Further than that we should not go.

We do not carry people's letters for nothing, although that would be a great convenience and would increase the number of letters to be carried. We do not coin silver without charging for it; on the contrary, we get a profit of about two per cent., and on the nickel coinage we get a much larger profit. We do not propose to do anything for private citizens unless we are reimbursed for the expenses; and there is no justice, no propriety in taxing the farmers of the United States, or the merchants of the United States, or the people of the United States generally, for this expense of one hundred or one hundred and fifty thousand dollars for maintaining our mints, merely for the purpose of giving a fancied benefit to the diggers of gold in California. I think it could be easily demonstrated, if time would allow and the interest in the subject would justify the attempt, that the miners themselves would not receive a particle of benefit from this abolition of the coinage charge, and that the only result would be that all the gold of California would be forced into the Mint of the United States, there to go through an expensive process at the cost of the people, without conferring on it any additional value for exportation or use. I think the Senators from the Pacific coast ought to be satisfied with the liberality of the terms of this bill, and I hope they will not press their resistance to this amendment, because I assure them its defeat, by throwing upon the United States the cost of minting gold, would unquestionably defeat the bill.

I have but very few observations to make in reply to the arguments that have been made for the abolition of the coinage charge. The Senator from California [Mr. Casserly], in common with his colleague [Mr. Cole], has fallen upon the idea that the coinage charge is a tax. Nothing is more absurd than this. The coinage charge is simply a charge by the Government of the United States for a service actually performed to a particular citizen. The Government of the United



States should not undertake to do this service for nothing, and it simply asks a reimbursement of the cost. This coinage tax, as gentlemen now call it, was imposed in the administration of Mr. Pierce, in 1853, when it was no object to seek new sources of taxation. It was then put at one half of one per cent., not for the purpose of taxation, but for the purpose of reimbursing to the United States the expense of coinage. Up to 1848 the United States produced no considerable amount of gold or silver bullion. We were then importers of the precious metals, instead of exporters. In 1853, however, after several years' working of the mines in California, this matter was fully discussed by some of the most eminent men then members of the Senate of the United States; among the rest by Mr. Hunter.

Why was this one half of one per cent. tax, as it is now called, or charge, put upon coinage? It was simply done to prevent the exportation of the gold coin of the United States. That was the main and leading object. It was argued, with a great deal of force, by eminent gentlemen then in this Chamber, that if a charge was put upon the coinage, as was done by all the nations of the world except England, gold, which would then be more valuable as coin than as bullion, would not be exported until the balances of trade were settled by our commodities; that until bullion, wheat, cotton, and all the other products of nature were exported, gold and silver coin would not be exported, because they were more valuable, made so by their greater cost. The prevention of their exportation, and not the imposition of a tax, was the object of levying a charge of one half of one per cent. upon gold coinage. A much higher rate is levied on silver and other coinage, but one half of one per cent. was the tax levied on gold coinage, for this reason: a reason of political economy, justified by the history of other nations.

My friend from Oregon [Mr. Williams] speaks of Great Britain as having derived a great advantage from free coinage. On the contrary, it can be demonstrated by the clearest figures that Great Britain has lost largely. Whenever money is coined in France, where the seigniorage is only one fifth of one per cent., it never leaves France, because if it should leave France that one fifth of one per cent. would become dead capital; it can not be exported to England for recoinage, and therefore there is now more than five times as much French coin in existence as there is of English coin; the statistics show that there is between five and six times as much. The British sovereign is exported from England because the British Government puts labor on gold bullion without charge, and the result is that the most convenient form to export gold from Great Britain is in British sovereigns. They go off to different nations, and are recoined by other governments, which charge a seigniorage. The result is that there is now less than one fifth as much English coin in existence as there is of French coin. The coin of Germany in existence, I believe, also largely exceeds the amount of English coin.

Now, Mr. President, I say that as a question of political economy it is not wise for us to put additional labor upon bullion and convert it into coin free of charge without regard to the revenue; because the

unavoidable effect of thus bestowing labor on gold bullion, and putting it in a more convenient shape for exportation, is, at the very first reversal of trade, to cause our coin to flow abroad, instead of other commodities. That is the experience of nations, and has been for more than a hundred years.

But it is said that, notwithstanding all the arguments and opinions of political economists, England has insisted upon free coinage. I have already sufficiently explained the reason of that. They adopted it, I believe, in the reign of King William III. ; and, having adopted it, they have kept to it with the natural tenacity of the English people, while their writers have condemned the policy. I read here from Adam Smith, from McCulloch, from Mill, from nearly all those men who are recognized authorities the world over on questions of political economy, who have said over and over again that it was a foolish system. Here is the opinion of the present Chancellor of the Exchequer, a man of great ability, who quotes these authorities, reads them to the British Parliament, and says that England has persisted in this thing too long, and to her injury. It is true also that he said at the time when they were codifying the mint laws, that it was better to postpone a change until the question of international coinage should be settled.

Now, there is one thing to be considered by our friends from the Pacific coast. This is a bill to codify the mintage laws of the United States. It does not adopt new principles; it makes but few changes in the general laws, except in transferring the head of the Minting Bureau to Washington, instead of leaving the system in the incongruous position of making the Director of the Mint in Philadelphia the superintendent of all the mints in the United States. This bill is rather a codification of the existing laws; and the Committee on Finance have therefore refused to ingraft on it many ideas that they have developed and would like very well to see in the form of law. For instance, we are strongly in favor of an international coinage, of assimilating our coinage to that of other nations, and making a common metric standard of international coins by which the gold dollar, the sovereign, and the franc may be interchangeable without recoinage. We have not ventured to put our opinion on that point into this bill, because it is not in the existing law, but would be a radical change.

Now, I ask Senators whether it is wise in this bill to repeal the existing law which, for reasons of political economy, has fixed a mintage charge upon gold coin, and to make an effort to make this codification bill carry such important changes? I agree with the Senator from California, that it is not necessary to look at this matter as a question of tax. The law now levies upon the labor done for the miner of California the trifling charge of one half of one per cent., a little more than the cost. We charge the national banks one per cent. for printing their bank notes; we charge every citizen three cents for carrying letters in the mail; and we levy taxes in every form upon various articles of consumption—on tea, coffee, sugar, and the other necessaries of life. Now, I say that even if we were about to throw off these charges, whether you call them taxes or not, we ought not to throw off, first, that which is not a tax at all, but is only a charge for a service actually rendered.

I trust that this effort to force through this proposition to abolish the mintage charge, in a bill to codify the mint laws, to simplify and make consistent the laws which regulate the various mints of the United States, will be abandoned; because Senators must perceive that the attempt to make any radical change in the existing system in this bill will only endanger it. It is necessary to pass the bill promptly in the Senate in order that it may receive the necessary attention in the other House before adjournment. It is perfectly manifest that the attempt to make an utter change of our policy on the question of the mintage charge, and to follow the example of Great Britain, would simply defeat the bill, which has already been so long delayed.

The whole debate in England upon this subject, which I now have before me, shows that every person who participated in the discussion, without exception, agreed that the system of free coinage was wrong in principle and in theory, and ought to be abolished; but in the revision of the law—it was then under the charge of Mr. Lowe as Chancellor of the Exchequer—the matter was left as it stood, and the reason, as stated by Mr. Lowe himself, was that it was better to postpone any change as to the rate of seigniorage until the settlement of the question of international coinage, when, as a matter of course, the laws of the different nations would have to conform to it. Mr. Lowe, in his speech advocating his views on the subject, quoted all the authorities from which I read yesterday, and a great many others, showing that experience, political economy, and philosophy had concurred in establishing the necessity of a seigniorage.

Let me state another fact. It is shown, I think, in the debate in Parliament, that while England possesses nearly twice the wealth of France, and certainly nearly twice the commerce, yet the gold and silver coinage in England is only about one fifth of that in France; and this was attributed in a great measure to the fact that, as Great Britain coined gold without charge, therefore gold was the cheapest product to export, while the French coin, which secured a local habitation by a seigniorage of only one fifth of one per cent., remained in France; and so of Germany.

Now, sir, I will add another fact, and that will be all I desire to say in reply to the letter of Mr. Ralston, who is cashier of the Bank of California. I have read that letter. It contains nothing new, except one very remarkable statement, which he did not make with a full knowledge of the facts, or certainly he would not have made it. He says our profit on coinage is four million and some hundred thousand dollars; that is, that the difference between the cost of our nickel or subsidiary coinage and its actual nominal value is \$4,000,000. That is very true; but we must redeem that coinage at par, and this bill provides for its redemption. We might just as well say that on the greenbacks which we publish and print we make a profit of \$340,000,000, because it costs us only \$1,000,000 to print \$341,000,000. But we must redeem them at par in gold; so that all the profit from our subsidiary coinage disappears when the day of redemption comes, and that is coming nearer constantly, day by day.

There is one other fact. A great deal of stress was laid by the Sen-

ator from California [Mr. Casserly] on the fact that the mint charge in this country was a recent one. Well, sir, up to 1849, I think it was, the Mint of the United States bought gold of foreign countries in the form of bullion, precisely like any other commodity, and coined it at the Mint. Having a monopoly of the coinage, it practically had a monopoly of the bullion trade of this country. The discovery of gold in California changed the whole condition of things, and this country became the great gold-producing country of the world. Then the Congress of the United States first turned its attention to the necessity of establishing a seigniorage charge, and regulating the difference between the value of gold and silver; and I have here the report of the Secretary of the Treasury, Mr. Corwin, under Fillmore's administration, calling attention to the large loss suffered by the United States by this changed condition of affairs, and by the fact that bullion was presented for coinage at the mints, not imported from abroad as a commodity and purchased at the market price, but presented by our own miners, and that the law made no provision at all for the disposition and management of this gold bullion or coinage. He therefore recommended that a change be made in the relative value of gold and silver bullion and coin, so as to conform to the standards adopted in England and in France, and recommended that a seigniorage be put upon gold coinage sufficient to pay the expense of it. That recommendation was referred to the Committee on Finance of this body, of which Mr. Hunter was then chairman. I hold in my hand a very elaborate and interesting report, of many pages, made by Mr. Hunter, in which the subject is fully discussed, giving many tables. The conclusion arrived at after two years' discussion, by the unanimous vote of both Houses, was, first, that on account of the discovery of gold in California it was necessary to change the relative value between gold and silver, by reducing the proportion of silver to gold, and, second, that it was necessary to establish a seigniorage charge on gold. There had always been a seigniorage charge on silver in this country, but as gold was not produced to any considerable extent—I believe nowhere except a little in North Carolina—there was no seigniorage charge upon it. A seigniorage charge was then established of one half of one per cent. Mr. Hunter states the case very strongly. He says: "If we do not establish a seigniorage charge, the United States may be compelled, at an enormous expense, to convert the whole gold produced in this country into coin, merely to enable people to export that coin; and we shall have to go through the same process with other nations." The subject was then fully considered, fully debated and acted upon, and that seigniorage was adopted. The result is that since that time about one half of the gold produced in this country has been converted into coin.

I will allude to a remark made by the Senator from Delaware [Mr. Bayard] a while ago, which shows that upon one point he is mistaken in regard to the relative value between bullion and coin. I have stated the fact that a charge of one half of one per cent. was put upon gold coinage. By the gradual improvement of machinery we find that gold can be coined for less, and the concurring authority of all with whom I have conversed upon the subject is that three tenths of one per cent.

will pay the mere cost of making the requisite assay, refining, and reducing it to standard gold, and stamping it as Government coin. Three tenths is the lowest; and even then there is upon the Government the expense of the officers of the mint, the expense of building mints, and a large amount of other expenses.

But the Senator says it will not be exported in the form of coin, but rather in the form of bullion.

On the contrary, there is no form in which gold can be put so convenient for exportation as in rouleaux of twenty pieces of twenty dollars each, both for purposes of exchange and for purposes of merchandise; because when reduced to gold coin of the standard, it is nine tenths fine precisely, and is in the shape that it is used by every nation in Europe, except England, for recoinage, while bullion may be in various forms and conditions, and of various finenesses. The Government of the United States is called upon, without cost, at its own expense, to convert the whole gold product of the United States, at the expense of the people of the United States, into a form most convenient for the goldsmiths and mints of foreign countries. In England, gold coin is ninety-two hundredths fine, and all that is necessary to convert our gold coin into English sovereigns is to add one two-hundredth part of refined gold, melt it in a crucible, and stamp it with the British insignia. The result is that, if the balance of trade should turn against us, the most valuable form in which gold could be exported abroad would be in the form of coin.

The reason why I oppose the abolition of this charge so strenuously is not because it involves the loss of \$100,000 a year, although there is no reason why we should put this labor on the gold product of private individuals, at our own cost; but it is because I believe it will have an injurious effect in regulating the balance of trade, and take from us, at the time when it is most needed, the actual coin, the life-blood of the country, instead of bullion. The exportation of bullion has an effect upon our commercial relations very different from the effect of the exportation of our coin.

The immediate result of the abolition of this charge will be to force all the gold produced in this country into the mint at San Francisco, to be there reduced, at the expense of the United States, to nine tenths standard fine in the form of gold coin.

The gold will flow into the nearest mint. Why should it not be left to be governed like the trade in other commodities? This bullion is not the bullion of the United States. It is the property of private persons. Mr. Ralston, whose letter has been read here, handles more of this bullion than probably all the people of two of the greatest States of the Union—I believe he is cashier of the Bank of California. And yet we are required, at the expense of the United States, to reduce all the gold product of this country into a convenient form for exportation, so that the mints of foreign countries may take our gold coin and melt it over without cost, loss, or wastage.

It seems to me that this will be a bad commercial operation. It may be of some benefit in a local way, by building up a large manufacture in one locality, but in its effect upon the commerce of this country

it must be injurious. It has been injurious in England. The opposite policy has been beneficial in France. We have tried the opposite policy for twenty years, and no complaint has been made except as to the rate. Mr. Knox, who sent this bill to us, complained only of the rate of seigniorage as being too high; and I think myself it was too high. As far as I was concerned I was willing to adopt the French standard of one fifth, or the German standard, which, I believe, is one fourth; but the Committee thought it was better to cover the cost, which is three tenths of one per cent.

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## INCOME TAX.

*IN THE SENATE, JANUARY 25, 1871.*

THE Senate having under consideration the bill (S. No. 1083) to repeal so much of the act approved July 14, 1870, entitled "An act to reduce internal taxes, and for other purposes," as continues the income tax after the 31st day of December, A. D. 1869, Mr. Sherman said:

MR. PRESIDENT: The proposed repeal of the income tax necessarily involves the consideration of our whole financial policy, and can not be hurried through upon the interested clamor of the comparatively few persons affected by it. Nothing is more pleasing than to repeal taxes, and it would be easy to show that the repeal of any tax now levied would give relief. The income tax is now only levied upon those whose good fortune it is to enjoy large property, or whose salaries or profits lift them far above the pressing wants that rest upon the great mass of our people. The possession of large property and the ability to earn large income necessarily give to those enjoying this income great influence over public opinion. They speak through the daily press, from high official stations, from great corporations, from cities where wealth accumulates, and with the advantage of social, personal, and delegated influence. I know the power of this influence.

Besides, the income tax is subject to some objections which touch the pride and feelings of the influential class upon whom it is levied. From the nature of the tax it must authorize some espionage into the private affairs of individuals, especially if fraud is suspected; but in this respect it has been greatly modified. It now stands as a tax of two and a half per cent. on gross incomes over two thousand dollars. If this income is capitalized at \$33,333, which at six per cent. would yield \$2,000, it stands as the equivalent of a property tax on one and a half mill on the dollar on property in excess of \$33,333. It is the only tax levied by the United States that falls upon property or office, or on brains that yield property, and in this respect is distinguished from other taxes levied by the United States, all of which are upon consumption, the consumption of the rich and the poor, the old and the young. I make this the simplest division of taxes—taxes upon possessions and taxes upon consumption. As the income tax now stands, it is estimated that it will yield \$12,833,000 out of an aggre-

gate revenue of \$320,000,000, or about four per cent. or one twenty-fifth part of our aggregate revenue. And it must be remembered that the income tax by its terms expires in two years, while we can not hope that the other taxes will be either short-lived or greatly diminished.

And now, sir, it is proposed to single out this tax from all others—this tax that bears most severely upon us and upon those best able to pay—and to repeal it, leaving undisturbed all the taxes that bear upon the consumption of the necessaries of life. Now, sir, if I consulted my own interest, my own ease, my own advancement, I would yield without resistance to what is the evident current of opinion here, and let the income tax go; I would yield to the impulsive feeling of the Senator from Massachusetts [Mr. Sumner], who, when the subject was mentioned on Friday, demanded that the income tax be repealed that night, before we went home; I would no longer contend with personal friends who regard this tax as odious and oppressive; but my own conviction is so clear that its repeal now is wrong, both in policy and justice, that it becomes my imperative duty to state the facts and reasons fully and clearly upon which this opinion is founded.

And, sir, it is due to the Committee on Finance, to whom this bill was referred, and who fully and fairly considered it, to submit to the Senate the considerations which induced them to report against it. That committee is charged with the broad subject of our public finances, embracing in its range not only this tax but all the other taxes levied by the National Government, and the still more important subject of our currency and public debt. They are expected to look with more care than others into the effect of a proposed measure upon our general financial system. The cries of the few who complain of the income tax easily reach the ears of all of us; but we must inquire whether we can grant their wish without doing injustice and wrong to the whole mass of our people; whether we can disturb the present adjustment of the burdens of taxation without danger to other interests more important, or by shifting the load upon others less able to bear it.

The members of that committee are no more in favor of taxes than other Senators; but we have to keep our eyes constantly on the expenditures of the Government, and when you direct these expenditures taxes must follow upon the track of your appropriations with as much certainty as the waves of the ocean seek their level. And not only must we follow your appropriations, but must constantly consider the effect of a surplus or deficient revenue upon the value of the currency and the public debt. If it is of primary importance to approach specie payments and fund the debt at a lower rate of interest, we must maintain our revenue and our reserves on a stronger basis than if we had only to meet our current expenditure. In the debates we have had on this income tax Senators seem to think that we could save enough in some way to enable us to repeal it; and perhaps, if the Committee on Finance had power to limit appropriations, it could be done. We take your action as the basis of our labor, propose taxes only as demanded to meet your appropriations and the laws relating to the public debt, and only seek to maintain such a margin and such reserves as are de-

manded by the highest considerations of public policy. When those objects are secured we are glad to be able to repeal taxes, and especially, those that bear most heavily upon the people. No man elected by the people is likely to retain taxes when unnecessary, while many may be tempted to repeal them when prudence forbids it.

I think I can demonstrate :

*First.* That it is not wise to disturb the financial measures of the last session, except to remove ambiguities or meet new facts developed since then.

*Second.* That the state of our revenue and expenditures will not now justify the repeal of any taxes.

*Third.* That the modification or repeal of the income tax should be postponed until, by a general revision of our whole revenue system, we can determine what taxes bear most heavily upon the people, and distribute the reduction so as to give them the greatest relief.

*Fourth.* That the repeal of this tax will affect injuriously the higher objects, namely, the funding of the public debt and the resumption of specie payments.

I know, Mr. President, that this is a broad task ; but I believe that if Senators will give attention to the facts I shall submit to them, I can make at least an honest effort to demonstrate each of these propositions.

The income tax was an essential element of the financial legislation of the last session. It was fully debated in both Houses, and formed a part of a series of measures that was and ought to be regarded as a whole. I insist that we should not disturb these financial measures except to remove ambiguities or to meet new facts developed since they were adopted. The facts now submitted to us by the Secretary of the Treasury show that our estimates last summer were accurate. Some portions of these measures are not yet in force. The entire reduction of taxes made will not occur until after May 1st. Why then exhibit the feebleness of uncertainty ?

Not only were these measures fully discussed here, but they were approved by our constituents at the last election. Wherever the Republicans succeeded, it was in consequence of these measures and of the general financial policy of the Administration. Wherever we lost, it was in spite of them, and mainly by local dissensions. Our financial measures strengthened us everywhere, and were a weakness nowhere. These measures were the currency bill, the funding bill, and the bill to reduce taxation. The currency bill, by enlarging the limit of banking circulation, satisfied a local grievance, by giving to the West and South an opportunity to establish banks upon the same footing as in the Eastern States. And yet a little time has proven that there is no great demand for new banks, no idle capital to invest in them, and no need of more circulation. A right withheld is a grievance, even if when granted it is not used ; and I trust that this right will be reserved to the States in the West and South until they can absorb the circulation granted. I consider it fortunate that it is not too rapidly absorbed ; but this could not be the pretext for enlarging the circulation in other States until we reach specie payments. In a short time I hope the



specie sections of that bill will be the basis of our whole banking system, needing only one center of redemption and a prohibition against the payment of interest on deposits, to make it the best banking system in the world.

The funding bill, had it been promptly passed in the form reported to the Senate, would have led to the conversion of at least five hundred millions of our six per cent. bonds into five per cent. bonds before the war in Europe, thus saving \$5,000,000 per annum. But the refusal of the Senate to grant the Secretary of the Treasury indispensable facilities in negotiating the exchange greatly impaired the bill, and the delay in the House, and their limitations on the rate of interest, so crippled the loan that, even if the war in Europe had not occurred, its success must have been partial. The enlargement of the five per cent. loan to \$500,000,000, authorized at this session, may enable the Secretary of the Treasury to take advantage of a favorable state of the money market to redeem the first loan of five-twenties with new bonds, and thus save \$5,000,000 of annual interest. The funding bill is now very much as the Senate passed it, but without the sections as to the banks.

The bill to reduce taxation was the largest measure of relief from taxes ever passed in a single measure by any legislative body in the history of mankind. It was a repeal of taxes to the amount of \$81,266,748. It swept away the taxes on employments and sales—the most indefensible and unequal of all taxes—and it reduced to one third the tax on income, and to one half the taxes on such prime necessities of life as are imported from tropical countries. Every tax that was retained was carefully scrutinized, and only one of them, the tax on income, is a tax on the property of the rich, as distinguished from the consumption of the poor. The precise effect of that act can only be tested by time. It is not yet in full force. And now we are met, in season and out of season, with a demand that the only tax on property, estimated to yield \$13,000,000, shall be repealed. No new facts are given us; no petitions are presented; no official statement is made; no other tax is complained of; but we are urged to repeal the only tax that bears hardly upon each of us. I submit whether it is not better to leave well enough alone, and bear as well as we may our share of taxes; to stand by the measures so lately adopted by us, and turn our attention to the measures before us that affect the great mass of our people.

Now, Mr. President, after these preliminary observations, I come to test this question by sober facts and figures; and I shall not rely upon mere cursory estimates made as the Senator from Pennsylvania made his, but upon official documents, each one of which is printed and laid on our tables. Now, for the first time for many years, we are able to present exact estimates of our expenditures. On account, in the old mode of keeping the books in the Treasury Department, of lapping and transferring appropriations, we were not enabled to state specifically what sum was needed for the expenditures of the Government within a given year; but now fortunately the law of the last session is in full operation, by which all the old balances are transferred

to the general funds in the Treasury. The Secretary of the Treasury now gives us a statement by departments of the probable expenditures of the Government for the next fiscal year, ending the 30th of June, 1872, which is as follows :

Legislative establishment.....	\$3,263,966 34
Executive establishment.....	17,238,165 50
Judicial establishment.....	2,348,750 00
Military establishment.....	28,488,194 00
Naval establishment.....	20,045,417 77
Indian affairs.....	5,021,569 03
Pensions.....	30,000,000 00
Public works.....	22,338,278 37
Postal service.....	4,694,383 00
Miscellaneous.....	14,305,428 60
Permanent appropriations.....	132,528,234 00
Sinking fund.....	24,500,000 00
Interest upon the capital of the sinking fund.....	4,866,933 00
Total.....	\$309,639,319 61

Thus the statement of total estimates of expenditure is \$309,639,319.61 ; but it must be remembered that of these estimates the greater part, nearly two thirds of them, are beyond our control to limit. There is provided in the nature of permanent and fixed appropriations, for the payment of interest on the public debt and the expenses of collecting the customs, \$132,528,234. There is provided for the sinking fund and interest on it, under the act of February 25, 1862, and the act of the last session, \$29,366,933. There is also provided for pensions \$30,000,000, making an aggregate of \$191,865,167 that is beyond our reach, leaving a balance of \$117,744,152 to cover all the expenses of the Government. That includes the army, the navy, and the legislative and judicial establishments. All the departments of the Government must be maintained out of the \$117,000,000.

It must be remembered that the Secretary of the Treasury expects us to carry out our pledges of economy to reduce the expenses of the Government. If the Government can be conducted upon an expenditure of \$117,000,000, it will be an economical administration ; it will be no more per head than in the time of James Buchanan. If you make a due allowance for the difference between gold and paper, it will reduce the expenses of our Government to less than they were before the war. But in order to maintain these estimates we have to keep our expenditures within the limit allowed us of \$117,000,000. I ask you, sir, with your familiarity with the course of legislation this winter, whether this is likely to be done ? We can not reduce this amount in any item except one. This \$117,000,000 includes appropriations for public works amounting to \$22,338,000. That may be diminished by the action of Congress ; but is there much probability of it ? That covers all the class of expenditures called public works, filling some thirty pages of our annual estimates, including the harbor and river improvements, fortifications, arsenals, navy-yards, custom-houses, court-houses, and an infinite variety of expenditures.

If this item is reduced to a considerable extent, it will be more than made up by other causes of expenditure. Already the session has de-

veloped a tendency to embark in new enterprises, or rather to carry on old schemes now renewed. It has been proposed to increase the pension list by \$6,000,000, and the bill for that purpose passed the Senate with scarcely any debate. We have also passed a bill increasing the expenses of the mints \$150,000, or throwing away, as I think causelessly, about one hundred thousand dollars. This does not include any amount for claims that may be allowed by the Committee on Claims, and the various committees of Congress. There is a bill for the payment of interest to the States, which can not cost less than \$7,000,000 if it should pass. Objection was made to my postponing the Sutro Tunnel bill until a more favorable opportunity. This is a scheme to bore through the mountains under the Comstock lode at an expense of \$3,000,000. We have subsidies proposed for every conceivable object in the world—building telegraphs and railroads, and assisting steamships—now pending on the calendar. We have San Domingo, which at any rate, if it is acquired, will take from fifteen hundred thousand to two million dollars, perhaps more. We have innumerable plans for the increase of salaries. We have propositions to add to the expenses of the Government as multifarious as the plagues of Egypt, but not a single proposition, so far as I know, to reduce the estimates made by the Secretary of the Treasury.

If, therefore, I assume that this Congress will not increase the estimates proposed by the Secretary, I assume a very doubtful proposition. I should be very glad indeed to compromise on a moderate increase upon his estimates of expenditure. Here is, therefore, the sum of \$309,000,000 that must be raised. How can you do it? How is this money to be collected from the people but by taxes? Let us look at our sources of revenue and see where they stand. In the same report I find the receipts estimated by the Secretary of the Treasury, as follows:

Estimated receipts for the year ending June 30, 1872 :

From customs.....	\$175,000,000
From internal revenue.....	126,418,000
From sales of public lands.....	3,000,000
From miscellaneous sources.....	16,000,000
<b>Total.....</b>	<b>\$320,418,000</b>

Including the income tax, which is a part of this aggregate, the Secretary estimates that we may receive from all sources \$320,418,000. Now, let us look at that for a moment. How are these estimates made up? The estimates from customs are made up first by taking the receipts of the last fiscal year, allowing for a reasonable increase, about three or four per cent., which experience shows the gradual growth of our country would authorize to be added to the former returns, and then deducting from that aggregate the amount of duties that have been repealed; that gives the basis of the estimate, \$175,000,000.

It must be remembered that this estimate was made on the basis of receipts in a very fortunate and happy year, under circumstances which favored the increase of our commerce and trade. Any fluctuation in that trade will at once reduce the receipts. I remember that we were

legislating in 1857 in the House of Representatives to scatter the money in the Treasury, and the very next year there came a revulsion which swept away our surplus, and we were compelled to borrow money, before we got through with it, at the rate of ten per cent. per annum. I take the estimate from customs to be practically correct. This month the receipts are largely in excess of the estimate, simply because large numbers of cargoes have been landed, and put in warehouse, to be retained there till the new law takes effect, in order to obtain the benefit of lower duties. But the most sanguine can not expect that the estimate of the Secretary can be increased, and I doubt very much whether now, in the present stringent state of the money market, his estimate would be maintained by any officer of the Government.

In regard to the internal revenue, I have here an official statement showing the items of the probable receipts for the next fiscal year, and we will see how they are likely to be affected by the present condition of trade :

TREASURY DEPARTMENT, OFFICE OF INTERNAL REVENUE,  
WASHINGTON, December 27, 1870.

Estimated annual receipts from the several sources of revenue under act of July 14, 1870, on the basis of the returns of the fiscal year ended June 30, 1870 :

Spirits .....	\$55,582,000
Tobacco .....	31,351,000
Fermented liquors.....	6,319,000
Banks and bankers.....	3,020,000
Income.....	12,833,000
Gas.....	2,313,000
Stamps.....	15,000,000
Total.....	\$126,418,000

Even these estimates, made by the Department, are now within the last two months overthrown. They allow here for an increase of the income from spirits. I have now the official statement, made within a few days, showing that the manufacture of spirits has fallen off nearly one third. I have a statement showing the number of distilleries, their capacity, and their production on the 1st of January, 1870 and 1871. It shows that the number of distilleries in operation on the 1st of January, 1870, was 410; the number in operation on the 1st of January, 1871, 231. The daily capacity for consumption of grain on the 1st of January, 1870, was 87,351 bushels of corn; the daily producing capacity in 1870 was 293,858 gallons of whisky. That has now fallen off so that the corn daily consumed is 55,271 bushels, and the daily capacity of whisky production is 192,169 gallons, showing a falling off of nearly one third.

I have also another elaborate table, showing that the amount of whisky on hand in the market, of which some is in bond and some has already paid tax, amounts to 45,637,933 gallons, showing an overstock on hand; and that probably explains the depression of the price of whisky. Most of this has already paid the tax, and is now in the market as whisky on hand. The whole amount of it is 45,637,000 gallons, of which about two million gallons are foreign and the remainder domestic spirits.

The Senator from Pennsylvania seems to think that this is a very flat-

tering statement, because if the quantity of whisky consumed diminishes the other taxes will increase. So they will, if you do not repeal them; but they are nearly all repealed, and now we have no internal revenue tax, except on spirits, tobacco, fermented liquors, gas, and a few other articles; and you propose to repeal the great item of the income tax.

Upon this statement of our receipts and expenditures, which is certainly as favorable as any man engaged in business would make, is it wise for us either to increase our expenses or diminish our revenue?

The difference upon this showing would be a surplus in the Treasury of \$10,778,680, with the chances all against us that the estimate on spirits is too high, with a certainty that the expenditures we have to meet will be increased; and now, with a margin only of \$10,778,680, you ask us to repeal a tax which yields \$12,833,000, and to face the new Congress, and perhaps the people in a presidential election, with an absolute deficit.

Mr. President, as a matter of course, when these facts and figures were presented to the Committee on Finance, we said, even those of us who were in favor of repealing the income tax, that we certainly would not vote in favor of its repeal until we could substitute some other. This is upon the plain showing of our expenses for the next fiscal year. I think myself these facts ought to settle this controversy as far as the income tax is concerned now. But I wish to go a little further. I promised to show the effect of this repeal upon other financial questions of deep and abiding interest.

I say that the repeal of the income tax ought to be considered in connection with the revision of our whole system of taxation; that you should not single out such a tax as this, the only one that bears upon the wealthy as against the poor, upon property as against consumption, upon sixty thousand people rather than upon thirty or forty millions. You must revise the whole system of taxation with a view, if you have surplus revenue, of distributing the saving so that all may have the benefit of some little relief. It must be remembered that of this income tax, which was levied during and since the war, we have repealed two thirds, taking off a larger proportion than we have of other taxes. We could only afford to throw off one third of the taxes upon the necessities of life, but we have relieved the income tax from over two thirds at least of its burdens. Now we are called upon to revise our work in this particular, and sweep away this tax without considering the effect upon other classes of citizens who are compelled to pay taxes.

Mr. President, when I come to contrast the income tax with other taxes, while I concede that there are objections to it—and I will state them presently—I must say that there are other taxes which the National Government is now levying that are far more oppressive. Take the tax, for instance, on the necessities of life, sugar, tea, and coffee. What objection can be made to the income tax that does not apply to this tax, except one, and that is, that the income tax is from its nature a tax of espionage, while the tax on tea, coffee, and sugar is not? But the tax on tea, coffee, and sugar takes from the little lump of sugar dealt out in charity, or to penury, as well as from the confections of

the rich. There is no argument of injustice or hardship that can be mentioned against the income tax to be compared to the tax upon tea, coffee, and sugar. Take also the tax on salt, an article of prime necessity; and yet we levy on that article \$2,000,000. So upon lumber. So on the stamps, which reach every man's business and every man's transactions, and yet nobody proposes to repeal the stamp tax. That yields about the sum the income tax does, and a little more. Take the special tax on beer shops. We collect \$1,700,000 by a special tax on the sale of spirits and beer, and the collection of that, as I will show you hereafter, costs about one third as much as the collection of the income tax, yielding seven times the amount.

Now, when you are compelled to levy such taxes as these, is it hard, is it unjust that the wealthier men of our community should at least be required to pay twice as much as the drinkers of beer, as much as the people who drink tea, one third of the tax levied upon sugar, as much as that which is levied on coffee? Is there something so inherently vicious in the income tax that, after we have gone over this whole subject, have reduced the taxes to the extreme limit, have dared to take off \$82,000,000, we should now at the closing hours of this session go back to reconsider our action and single out this tax alone, leaving undisturbed the others I have mentioned? I do not think so. With all the desire I have had to approach this subject without being influenced by my previous views, with every desire to remove complaint, I can not say, as a Senator, that it is politic or right to relieve the few comparatively who pay this income tax while we are compelled to levy these other taxes. And, sir, when this question was debated year after year in the British Parliament, where every man was the representative of property, the income tax, after a suspension of twenty years, was restored; and it has been maintained from that time to this, and will be maintained until the English people can repeal the taxes upon the prime necessities of life.

Many objections have been made against the income tax. I have not often sought to answer them, because I thought they would answer themselves. But let us look at them. I think I have grouped them fairly; but if I omit any, I am willing to pause and consider it.

The first objection is that it authorizes espionage into a man's business. Well, sir, so do all taxes. Your whisky tax authorizes the most searching espionage, and assumes that fraud is inevitable in the production of whisky. Ah, but the answer is, a man who makes whisky must be judged by a very different rule from a man who has a large income. Why? Whisky is a lawful trade, although whisky produces a great deal of misery; and yet no one complains that we send a gauger, a detective, a spy to watch the whisky-distiller; but if we send a man of respectable presence to inquire into a rich man's income, it is espionage!

Mr. President, we must not refine too greatly upon these things. So take the case of tobacco. Take the case of custom-house duties. On landing at the city of New York, as I have done once or twice, what is the first thing you meet? A custom-house officer. What does he demand? He wants to look at your trunks; he wants to spy into

your baggage. The first feeling is one of resentment. I think no man can arrive at a port from a foreign country where he first meets the custom-house officers without feeling angry that the law authorizes a private inspection of his coats and pantaloons. But no custom-house laws can be enforced unless this espionage is allowed. It is not allowed for the purpose of interfering with men or women engaged in ordinary travel, but the espionage must extend to them in order to reach the fraudulent importer or the smuggler.

Another thing. There is not a State in this Union which does not authorize more espionage into a man's private affairs than the income-tax law of the United States. In reframing that law we struck out nearly all its offensive provisions, and perhaps somewhat weakened its force by this anxiety to avoid the charge of espionage; but even yet it does authorize an inquiry into a man's income. If the assessor has reason to believe that a man is fraudulently concealing his income, he has a right to take measures to ascertain it, the mildest that were ever put into a customs or a tax law, and yet you complain of that espionage. Why, sir, every State does it. The State in which I live authorizes espionage into a man's property; they compel him to swear how much personal property he has, what it is composed of, and they put a long list of questions to ascertain it. Is there any complaint made about that? And yet it is done in every State, and the espionage under this income-tax law will not compare to that authorized by the laws of most of the States with which I am familiar.

Another objection has been made, that the income-tax law does not distinguish between income from land and income from trades or professions. It is said, with a good deal of plausibility, that where an income is derived from a permanent source, it may properly pay an income tax; but when it is derived from a trade or profession, the income perishes with its consumption, and ought not to be taxed. That is rather more plausible than real, because, after all, the permanent income coming in year in and year out is taxed year in and year out, while the income that comes but once and perishes in its use is taxed only once.

Sir, this subject has been carefully analyzed in the British Parliament for more than forty years past. They commence by analyzing or classifying incomes into five great divisions, and making deductions from certain classes. For instance, incomes derived from professions were put upon a certain list, and a deduction was made from them before the tax was applied, while permanent incomes were taxed at their full amount. Experience, however, after a number of years of experiment, showed that this was not founded upon correct principles. This subject is discussed in tomes in the British debates, and also in their works on political economy, until finally they settled down substantially upon the ground that there was only one rule of equity, and that was the rule of equality, to put the same tax upon the same amount of income, however derived, and however brief might be its duration; on the principle that an income derived from a profession like that of a lawyer was taxed once and perished, unless it was invested in real estate and became the foundation of other income. We have followed

in this country not the original idea of the English law, but its final idea.

But, sir, we are told that this is an odious and unpopular tax. I never knew a tax that was not odious and unpopular with the people who paid it. I think if the Senator from Pennsylvania would go into some places in Philadelphia he would find that the whisky tax, which is so popular with us, is unpopular there. I know that in Brooklyn people have organized armed resistance to the collection of the whisky tax, and we have had to call out nine hundred troops of the United States to go there and enforce it. Those people denounce it as unjust and unequal. We do not think so. Sir, if you would levy only taxes which in the opinion of everybody, or even of a majority, are not unequal and unjust, you would have such a tax law as I have never yet seen.

When you come to examine the income tax you will find that it applies, it is true, to only about sixty thousand people; but they do not pay their proper share of other taxes. Why? Can a rich man with an overflowing revenue consume more sugar or coffee or tea, or drink more beer or whisky, or chew more tobacco, than a poor man? You tax tobacco at the same rate per pound, whether it is tobacco for the wealthiest or for the poorest. Here is a case of inequality admitted by all; and so all taxes produce inequality. But when in a system of taxation you are compelled to reach out to many objects, you must endeavor to equalize your general result by reaching all sources of taxation, and do the best you can to equalize in that way.

Therefore, when it is complained that the tax on an article consumed is unjust upon the poor, because the poor have to consume a greater proportion of their income in its purchase than the rich, we answer that to countervail that we have levied a reasonable income tax upon such incomes as are above the wants and necessities of life. That is the only answer, and it is a complete answer; because, if you leave your system of taxation to rest solely upon consumption, without any tax upon property or income, you do make an unequal and unjust system.

I admit that there are isolated cases of hardship. My friend from Pennsylvania stated very strongly the worst of them, which is that by our tax laws we levy the tax upon the whole income of the corporation without allowing a deduction; and as a corporation is but the representative of a great many persons, it may be that we levy that tax upon the income of a poor widow who has not had the benefit of the exemption. That is something that can not be helped. We levy the income tax upon a corporation as upon a single body, because that is the legal nature and character of a corporation. It is true that the tax is deducted from the interest and dividend paid to the individual. If it was practicable to follow the income derived from a corporation to the various beneficiaries of the income, every man would say that in justice each of them should be entitled to the exemption; but it is not practicable. No tax law can be so framed as to do exact justice. Therefore we regarded these corporations, precisely as the law regards them, as persons, and levied the tax on them, and authorized them, in



the adjustment of the tax among their stock-holders, to deduct the proper proportion from each one. The very difficulty of adopting any other scheme compelled us to pursue that course. The idea that every stock-holder ought to have the right to deduct this from his income is impracticable, known to us all when tried.

But it is said this tax is unconstitutional, and an opinion has been produced here which I have before me, signed by one lawyer that I know and another that I do not know. If I could not get a better opinion than this, one that showed more consideration, for fifty dollars, from the best lawyer in the United States, I should consider him exorbitant in his charges. I do not question the reputations of these gentlemen at all; but it is the first time I ever heard in the Senate of the United States a paid opinion of an attorney—and we all like the profession very well—quoted upon a question of constitutional law in regard to a law that has been upon the statute book seven years.

It is enough to say that the income tax has been levied by the United States since 1863; and there is no court, so far as I know, that has pronounced the law unconstitutional—certainly no United States court. No decision has been made of that kind. No *dictum* of a judge can be quoted to that effect, so far as I know. The fact that the question has not been presented, and that we have collected under this tax \$150,000,000 from all kinds of people, is a pretty good evidence that there is not much in the point; but if you look at the Constitution of the United States, I think that settles it clearly. The Constitution gives to Congress more power over the subject of taxation than almost any other. We have the power to levy taxes almost without limit. The only limit is that we dare not levy “a capitation or other direct tax” except in a particular way, and we can not levy a tax on exports. Now, is an income tax a capitation tax? It falls upon some individuals, but is not levied by the head, and therefore it is not a capitation tax. Is it a direct tax? I think the decision of the Supreme Court in the early case of the carriage tax—I have forgotten the name of the case—practically settles the question. The only direct tax is a tax on real estate and slaves. But it is not necessary for me to discuss a question of this kind which is thrown in, as almost every law that is proposed is said to be unconstitutional.

Now let us go a little further. The opinion of the present Commissioner of Internal Revenue is quoted as favoring a repeal of this tax. There is no officer of the Government to whom I would more willingly yield on a mere question as to the mode and machinery of collecting the internal revenue taxes; he has had great experience, and so far as I know has considerable ability in that way; but if he ever expressed an opinion to a committee of this body or of the other House as to the necessity of this tax, it certainly was extra-official and extra-judicial. If, as it is said by some of the newspapers, he stated that this tax was totally unnecessary, that is only his opinion; it is not the opinion of the officer of the Government charged with our finances. As to the mode of collecting specific internal taxes, his opinion is entitled to the respect due to that of any gentleman. As to what money we want, how much we want, how much other sources of revenue

will yield, what our expenditures are or are likely to be, I should be ashamed to say that every member of the Senate has not more ample facilities of ascertaining than he.

This is a question not as to whether the income tax is just or not. If the newspapers report correctly that he said it was not, I think we can judge of that better than he can, because we have a broader view, with greater responsibility. I suppose the whole of it was that he said that he would be glad to see the income tax repealed, and I have no doubt he is in favor of its repeal; but that he undertook to say what the newspapers reported of him I do not believe at all. Besides, these newspapers make him speak in behalf of and in the name of the President. That certainly can not be true. The President of the United States has two modes of communicating with us, either directly by his Secretary, or indirectly by the Secretary of the Treasury; and he never undertook, and never sought, I am quite sure, to influence Congress or any committee by his private opinion, conveyed in this informal way, and no man was authorized to speak for him in that way.

But the Senator from Pennsylvania seems to follow in the line of the newspaper argument, that this is a very expensive tax to collect. Sir, the income tax, from its very nature, is the cheapest tax levied, except one. I have here a statement made even by so creditable a paper as the New York "Evening Post," in which, speaking of this tax and urging its repeal, it says: "Add to all this that the Commissioner of Internal Revenue himself is convinced that the collection of the tax will do no good to the Treasury, because it will cost, under the present law, almost as much as it will yield." Such a wild statement as that was made in an editorial article in one of the most excellent papers in the United States. I have here also an extract from the "Brooklyn Union," making the same general statement. The "New York Tribune" has made the same statement. If it were necessary to reply to so foolish a statement, I could do it in a moment. Why, sir, the whole expense of collecting the internal revenue, whisky tax and all, is estimated at only between five and six million dollars. It is only about an average of four per cent., or a little more; while this income tax as now reduced will yield \$12,833,000.

Instead of this being an expensive tax, it is the cheapest tax collected by the National Government from internal revenue, except the tax on banks. The tax on banks is collected from sixteen hundred corporations by the Treasury of the United States without costing the Government one cent. The income tax, from its very nature, is the next cheapest tax on the list. This fact is shown in an official report made by the Secretary of the Treasury three years ago. While the general average of collecting taxes was then between three and four per cent., the estimated expense for collecting the income tax was not over two per cent. Why is that? The income tax is collected from corporations in large masses. Take, for instance, the Pennsylvania Railroad Company. The income tax on their dividends is collected in a single sum, in great masses, at a cost of comparatively nothing. All the tax on corporations is collected with scarcely any perceptible expense, except by swelling the sum paid to the assessors and collectors.

The tax on salaries is collected without cost by disbursing officers; and the personal tax on incomes is collected from a few prominent, well-known persons, to whom any assessor can go. It is collected only in wealthy districts.

The Senator from Pennsylvania himself said that it was collected mainly in twenty-three districts; that all the income tax collected outside of twenty-three districts amounted to an inconsiderable sum. It is collected in districts where, from the nature of the case, we must have revenue officers to collect other special taxes, on whisky and beer shops, and various other taxes. The income tax is collected in wealthy communities where, as long as our internal revenue system stands, we must necessarily have assessors and collectors. Why, sir, the repeal of the income tax would not result in the dismissal of a single assistant assessor, because there is no district in which the income tax is paid to any considerable amount where there are not whisky and beer shops, and where the whisky and tobacco and other internal taxes are not levied. By law you must establish in every county of the United States a place where stamps can be sold; and the actual commission or cost of selling stamps, although the most convenient form of revenue, is five per cent., while the collection of the income tax costs only from two to four per cent. In my judgment the whole of this \$12,833,000 will be brought into the Treasury at an expense not to exceed three or four hundred thousand dollars, or from two to three per cent.

There is only one other topic in this connection to which I wish to allude. While those who have large incomes complain of this tax—and I know they have complained of it to me bitterly—it must be remembered that the result of the war has enormously increased the value of all investments. I have now in my mind a single corporation, the stock of which before the war might have been bought for from twenty to forty cents on the dollar, and now it is worth two hundred. Why this increase in values? Because of the strength of our country. Every man buys and sells land in the United States with confidence in its value. The holders of property, those whose good fortune it is to enjoy large incomes, have been benefited by the effect of the war, not only in enhancing business, in furnishing us paper money and facilities for negotiating business, but in the actual addition to the value of all the real estate in the land; and this is a reason why they should aid by a small income tax to raise the necessary money to meet the expenses growing out of the war. This income tax is just as much a war tax now as when it was levied during the war, because it is now levied to pay expenses incurred in the war. I think, therefore, that in whatever way you view the income tax, whether as a question of right and justice in the distribution of taxes among men, or on grounds of principle, the property-holders of this country ought to be willing that it should stand upon the statute book until we can make a general review of the whole subject of taxation; and then, if we find that we can receive from other sources the money that is now provided by the income tax, let us repeal it, giving at the same time relief to other classes.

Perhaps the most difficult subject that the next Congress will have to meet is the subject of the general reduction and revision of taxation.

I know that in speaking one year in advance of the time I am liable to commit many errors, which I will not consider myself to be bound by. My argument as to this bill exhausts itself in the simple proposition that we ought not to deal with the income tax now as a separate proposition, but leave it to be settled when we come to revise and systematize our whole system of taxation. That at the next session of Congress it will be necessary to bring about a general reduction of taxation is admitted on all hands; and if the state of our finances then authorizes us reasonably to hope for a surplus, I for one shall be willing to direct my attention, and join with others in directing the general attention, to the entire revision of the whole system. This can only be brought about by adopting certain general principles:

*First.* By a searching reduction of expenses.

*Second.* By availing ourselves of our experience in administering the tax on whisky and tobacco, and, if possible, increasing the revenue from those sources.

*Third.* By a reduction of the interest of the public debt, which can result only after we have raised the value of our five-twenty bonds above par in gold.

The principles upon which this reduction is to be founded must include:

1. A comprehensive review of our internal and customs taxes as an entire system, with a view to repeal or modify those that bear most heavily upon the people.

2. We must dispense as far as practicable with internal taxes, and confine them solely to articles the consumption of which is not necessary or useful, and to such surplus income as will tend to equalize taxes between capital and consumption. My conviction is that after this year we may and ought to repeal every internal tax except on spirits, tobacco, and beer, and such a modified income tax as will reach only the product of capital not needed for the necessaries of life.

3. Such a reduction of the duties on imported goods as will cheapen, as far as is consistent with the absolute wants of the Government, the price of such goods as can not be produced in this country, and are in general use as necessaries of life, or as the basis of our domestic industry. Upon such goods as enter into competition with domestic industry I would levy specific duties equal to, but no more than, the average rate of duty demanded by our financial wants upon imported goods. This is ample protection to all domestic industry not unnatural or forced by a hot-house process.

I have carefully studied the application of this rule, and have now on my table the result of it, showing the application of it to all the great domestic productions of cotton, wool, iron, copper, and steel, and can show that this rule of equity and equality will give to all these industries the measure of protection that they can reasonably ask, and with which I know most of them will be content. It is the only rule that will give our home industry such stable and incidental protection as will enable them to compete with foreign labor. If under it any branch of industry can not survive foreign competition, that is the highest evidence that such industry is forced and foreign to our soil,

climate, or condition. Such a rule fairly applied, without yielding to local or interested clamor, and without making distinctions between the productions of different forms of industry, would remove the details of our tariff laws from the demagogism of party politics, would give them stability, and tempt capital and labor into those fields of industry where we can compete with all nations.

As to articles known as luxuries, such as spirits, cigars, jewelry, and some fabrics of silk, the only limit in the rate of duty should be the limit which experience may show will prevent smuggling. Whatever increased revenue we may be able to derive from these sources above the average should be applied to the reduction of duties on necessities of life and on raw products.

There is a topic introduced here very often by the honorable Senator from Illinois. It has rather been a favorite of his. He is continually talking to us about the enormous mass of gold in the Treasury. Whenever an effort is made either to prevent the repeal of a tax or to caution the Senate against any extravagant appropriation, we are always told that there is a great mass of gold in the Treasury, and we can draw on that to make good any deficiency. In my opinion, that mass of gold, of which I shall now show the precise nature and purpose, ought not to be considered in this connection; but as the subject is brought in by others, it becomes necessary for me to answer them.

We are told that the surplus of gold in the Treasury will make good all deficiencies in the revenue. The surplus gold ought not to be considered in the question of the repeal of taxes, but should be maintained as the basis of the resumption of specie payments, as the steady governor of our finances, and ultimately for the payment of such of our notes as may be presented for redemption. The resumption of specie payments should be the result of the gradual appreciation of the public credit without a forced contraction of the currency, and, above all, should not be hastened by a forced and unforeseen sale of the gold in the Treasury.

The immediate effect of the sale of gold on business is to decrease the price of the gold. As a matter of course, the more of this commodity you throw upon the market the lower the price will be. The effect of that at once is to disturb values, as between the creditor and debtor. If an officer of the Government, without reflecting upon the consequences, were to throw upon the market a large amount of gold, he would bear the market down, and perhaps bring ruin and devastation upon the debtors of the country by changing the value of the standard in which their debt was contracted; and if this amount of gold is diminished to too great a degree, the other effect is produced. Undoubtedly the Secretary of the Treasury might force down gold nearly to par in paper, and might in thirty days compel the resumption of specie payments by the exhaustion of all the gold on hand; but what would be the effect? If the resumption of specie payments is forced by the depletion of the Treasury, by the sale of all the gold in the Treasury, how can specie payments be maintained? The whole weight and burden of specie payments will fall upon the Government whenever the Government resumes. Why? Because the greenbacks them-

selves are the basis of our bank circulation; and if this gold is forced into sale, the effect of that forced sale may bring the price of gold to the paper standard; but the inevitable result would be that we could not for a moment maintain the resumption of specie payments, because we would have no specie on hand to redeem the notes that would be presented.

Now, Mr. President, there is a very exaggerated idea of the amount of gold in the Treasury. I have here an official statement made within a day or two, which shows the precise nature and character of this "enormous mass of gold." If Senators will look at the last statement of the public debt, they will find that on the 1st of January, 1871, the coin in the Treasury amounted to \$107,802,280.95, and there were outstanding coin certificates to the amount of \$26,149,000; showing a remainder, the actual property of the Government, of \$81,653,280.95. The gold certificates are merely deposits of private individuals, and by the very terms of the certificates the gold must be kept on hand. There was a coin liability at that date (January 1, 1871), for interest previously due and unpaid, of \$6,327,196.16; and the interest becoming due on that day amounted to \$28,479,635. There remained unpaid and due on the 1st of January, 1871, on the principal of the loan of 1860, \$4,119,000, and interest thereon amounting to \$107,775; showing a net balance in the Treasury of \$42,619,674.79. That is the precise amount. This does not include either accruing interest or notes and bonds. It is complained that while this \$42,000,000 of gold is lying idle in the Treasury we lose the interest on it. So we do; but why is it maintained there? If it was not there, we would soon find out the reason. That gold is the only steadying balance-wheel of our whole financial system. It is remarkable that our paper money now varies scarcely the shadow of a shade. The gradual appreciation in the value of our paper money has been almost imperceptible, but as sure as the falling of the snow upon the earth. Suppose that \$40,000,000 of surplus gold had not been on hand; the bulls and bears of New York could at any moment toss the value of all commodities upon the waves of speculation. There is no power in the Government to prevent at any moment a combination, either for the hoarding of greenbacks or for forced sales of gold, except that fulcrum resting in the vaults of the Treasury, by which any attempt to interfere with the natural order of things and the business of this country may at once be put a check to.

Why, sir, the Secretary of the Treasury saved more to this country in September, 1869, by the mere threat to sell \$3,000,000 of gold, than all the gold in the Treasury. The business men of this country and its business interests would have been sacrificed by that speculation to a greater extent by far than all the gold in the Treasury. It is only that great balance-wheel that enables the Secretary to keep those speculators in check.

But it is said we lose the interest on this gold. So we do. Does not a bank lose interest on its reserves? It is illogical for us to complain of the loss of interest on this gold when we are by means of that gold maintaining at a reasonable price over three hundred and ninety million dollars of forced paper money. The only reserve now on hand

to maintain the credit of that \$390,000,000 is the gold in the Treasury, after paying the balances that are chargeable against it. We require of every bank in the United States to maintain a reserve of from fifteen to twenty-five per cent., not only on its circulation but on its deposits. Why do we do that? Why do we compel them to hoard idle in their vaults one fourth of their entire capital, deposits, and circulation? Merely in order that they may be able to redeem, if they are called upon for redemption. There is no right to maintain paper money in circulation, either by banks or individuals, unless there is an absolute, demonstrable ability at any time to redeem that circulation. The only reserve that has been retained by the Government to steady the market price of this paper money, to appreciate its value, and ultimately to reach specie payments, is that \$42,000,000 of gold lying idle in the Treasury; and that gold does not bear so large a proportion to our circulation as the feeblest and most insignificant bank in the most remote Western State is compelled to maintain day by day, to guard against the uncertainty of the redemption of its notes, although they may be secured by United States bonds. Therefore, I say it is illogical to complain about the hoarding of this gold merely because we lose interest on it, when we gain interest on \$390,000,000 of paper money. We gain \$32,000,000 and we lose \$2,500,000.

The true policy of specie payments, in my judgment, is to offer in exchange for our notes such a bond as can probably be maintained at par with gold, and with such an ample reserve of gold that dissentients can be paid in coin if demanded. In this way the United States can cease to make money, except the standard coin at the mints, and the business of banking, like any other business, may be left to private individuals under general law. The United States can protect the note-holder with the most absolute security, and the amount of paper money may be left to the laws which limit the amount of other productions; and each producer and consumer will, in an imperceptible way, affect its quantity just as he does the quantity of wheat, corn, or cotton produced and consumed. The vast benefit conferred upon the United States by the national banking system will then be fully realized. It combines private capital and enterprise with Government security and uniform value, and will never be jeopardized by State banks or the impracticable idea of an exclusive metallic currency.

Mr. President, the financial success of this Administration has been wonderful indeed, and we who are its agents to some extent can with pride congratulate ourselves upon the beneficial effects of the Administration upon the finances of our country. Let us look at it for a moment. When General Grant came into power a paper dollar was worth only seventy-one cents in gold; to-day it is worth ninety-one cents in gold, or an advance of nearly twenty-seven per cent., without any distress and without any contraction. The same amount of greenbacks is now afloat, and yet the steady, advancing credit of our country has appreciated their value twenty-seven per cent. Our five-twenty bonds when General Grant came into power were worth eighty-three cents in gold; now they are worth ninety-seven in gold, without any considerable diminution of their amount, and by the simple appreciation

of our public credit; and, in my judgment, within a very short time they will be at par, and will be paid off.

The banks have not been disturbed in their loans to the people, but have increased them. Everybody believed that when we approached specie payments the banks would be compelled to contract; and yet, during all this time, while we are approaching specie payments so rapidly, the banks have enlarged their loans. On the 1st of March, 1869, they were \$658,000,000, and now they are \$712,000,000.

Not only that; the debt has been reduced, not by an increase of taxes, but by a saving in expenditures of nearly two hundred million dollars. I admit that much of the expenditure incurred during Mr. Johnson's administration was for floating and unsettled debts of the late war. I am not now making any political allusion at all, nor seeking to arraign that Administration. I only speak of it as a fact that, with diminished taxes, increased value of our paper money, and increased value of our bonds, we have paid off nearly two hundred million dollars of indebtedness, and are now within a few cents of specie payments.

While this process was going on we were able at the last session to reduce our taxes over eighty-two million dollars a year, by a carefully adjusted system, in which nearly all the obnoxious taxes, and two thirds of the income tax, about which we are now talking, were swept away. We confidently expect at the next session not only again largely to reduce taxes, but to so adjust them that those that remain will fall more lightly on our people. These things may play but a small part in the political debates of the day, but they are the strength of this Administration.

This tax affects, it is true, about eight hundred office-holders of the United States—certainly not over a thousand, including officers of the army. It is said that it affects some officers in some of the States. How many? How many officers of States have salaries of over \$2,000 after their taxes and other things are paid? Very few indeed. If they want to appeal to the constitutionality of the law, let them do it, and I have no fear of the result. It affects some fifty or sixty thousand people who are able to pay it. To say that this is a discriminating tax against them, is to say that the English Government, in the adjustment of their taxes, have levied upon themselves the same kind of tax since the time of Sir Robert Peel.

Mr. President, I have been threatened in every way about this matter. I will read what the "Brooklyn Union" has to say about those who insist on maintaining the income tax—a paper published in the very town where the population is in arms against the whisky tax, I am told. Here is what the editor of the "Brooklyn Union"—who is also the editor of the New York "Independent," and no doubt has an excellent income, and I am glad of it—says: "The people mean to have this tax out of the way, even if they have to put the men out of the way who are responsible for its continuance."

Sir, there are sixty thousand, all told, who have to pay this tax. We are all in that favored sixty thousand, because the people of the United States give us over \$2,000 a year. We are compelled to pay



this tax. And now every man who thinks it is better to retain this tax a while longer is threatened with the indignation of the people. I am inclined to think that we shall be able to endure and survive it.

Sir, the same threats were made against Sir Robert Peel when he proposed to renew the income tax. The politicians of that day denounced him, and were able after a while to punish him to some extent; but it did not deter him. It was the reorganization and reinstatement of the income tax in England that led to that revision of taxes which changed the whole current of affairs in England; and I believe now that if the property-holders of this country, who are compelled to pay the income tax, will bear with it a little while longer, for the two years during which it is to exist, they will never have cause to regret it.

So far as my own State is concerned, I am impartial in this matter. The State of Ohio pays her full proportion of the income tax according to her population. I have here the statement. Most of the Western States pay but little income tax, but Ohio pays dollar for dollar, according to her population. The old tax was just about a dollar an inhabitant. Ohio pays her share; and I have it to say, for the men of Ohio who pay this income tax, that, with very rare exceptions, such as I do not wish to name, they have not complained of the tax, but are willing to bear their share of it. But, impelled by a sense of duty, in the interest of the whole people, I feel bound, without any regard either to my own interest or that of my State, to maintain this and all other taxes until I can see daylight ahead and a better time to repeal them.

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## INTERNAL TAXES AND TARIFF.

*IN THE SENATE, MARCH 15, 1872.*

THE Senate, as in Committee of the Whole, having resumed the consideration of the bill (H. R. No. 173) to repeal the duties on salt, Mr. Sherman said:

MR. PRESIDENT: I am sorry that, even for a moment, the evil shadows of our long political debates are cast upon a purely business discussion, which affects the interests of all the people of the United States, and yet need not excite any political feeling, or any division of opinion except upon questions of dry political economy. I take it that it will be most agreeable to Senators if I confine my remarks this morning to a general statement of the condition of the country, to such facts as in my judgment authorize us to enter, for the sixth time since the close of the war, upon a repeal of taxes, and also to state the general principles upon which this reduction is proposed, rather than to burden you with elaborate details. These will be more properly stated as the debate progresses.

The taxes already repealed yielded \$233,000,000. But our revenues still largely exceed our expenditures, and we are justified by several reasons in continuing the repeal of taxes. Those which remain yield

largely more than in former years, and more than was estimated by the most sanguine person. The production of the country has greatly increased. Industry in almost every department has been actively employed. The consumption of our people, which under our system of revenue is chiefly the basis of taxation, has by the prosperity of our industry been also largely increased. At the same time the national expenditures are diminishing. Our financial condition is improving in every particular. We are slowly but surely, without contraction or expansion, but by the increasing uses of our paper money, approaching a specie standard. The interest of our debt is daily diminishing, through the diminution of the principal and the reduction of the rate on that which remains. All these favorable circumstances enable us to approach the question of the further reduction of taxes with more system and better information than formerly, and, I trust, with the sincere desire to make the reduction in such manner as to yield the largest possible relief to our people.

The only questions to be considered are, how much and what taxes ought to be repealed?

Let me first state how the subject now comes before us. On the 14th of March, 1871, the House of Representatives passed three bills: A bill to repeal the duty on coal; a bill to repeal the duty on salt; and one to repeal the duty on tea and coffee. The duties thus proposed for repeal yielded last year \$21,000,000. The Committee on Finance was of the opinion that it was not wise to consider these bills, except in connection with the whole subject of revenue reduction. On the 12th of April, 1871, the Senate passed the following resolution:

*Resolved*, That the Committee on Finance is hereby instructed, during the recess of Congress, to carefully examine the existing system of taxation by the United States, with a view to propose such amendments to the bills of the House of Representatives repealing certain taxes, now pending in the Senate, as will simplify, revise, and reduce both the internal taxes and the duties on imported goods now in force; and so that the aggregate of such taxes shall not exceed the sums required to execute the laws relating to the public debt, and to pay the current expenditures of the Government, administered with the strictest economy; and so that such taxes may be distributed as to impose the least possible burden upon the people.

In obedience to these instructions the Committee on Finance did during the recess examine in detail the laws imposing taxation, and agreed upon amendments to both the tariff and internal revenue laws. But in reporting to the Senate our action, we had to consider the power of the Senate over revenue bills. The powers of the two Houses in this respect are regulated by article one, section seven, clause one, of the Constitution of the United States, as follows:

All bills for raising revenue shall originate in the House of Representatives, but the Senate may propose or concur with amendments, as on other bills.

This provision has often been the subject of controversy between the two Houses. We had before us three bills of the House, with the unquestioned power to propose amendments to either of them. It was clear that, if the House proposed to repeal or modify certain taxes, the Senate could propose instead to repeal or modify other taxes. But as all the taxes proposed for repeal by the House were customs duties,

the question arose whether we could, in the way of amendment, propose the repeal of internal taxes. The parliamentary law, as well as the practice heretofore, settled this question in the affirmative. The subjects are germane to each other. They are both "bills for raising revenue." The distinction is only as to the subjects and mode of taxation. The House has itself repeatedly connected the two in one bill, and notably so in the act passed two years ago. The modification of one compels the modification of the other. The logic of the subject matter compels us to consider the whole revenue, when proposing to reduce either form of taxes. Still, to avoid all possible dispute, the Committee on Finance thought it advisable, while considering the whole subject of taxation, to confine their amendments to customs duties, and to offer these amendments to one bill rather than to three. The amount of customs revenue proposed for repeal by the House substantially conforms to that proposed by the Senate. The House will no doubt in due time pass a bill to reduce internal taxes, when the Senate can propose its amendments. In debate, however, we must consider the subject as a whole, and must therefore consider how much revenue we can dispense with, and what taxes ought to be repealed or modified.

Since the close of the war it has been the highest public policy to maintain our revenue at a point largely in excess of our expenditures; for a large surplus revenue has been not only useful in paying unliquidated debt, but also of great importance in reestablishing the public credit, in improving our currency, and in reducing the rate of interest to be paid. But the time has now arrived when we can safely reduce our revenues to barely enough to pay the expenses of the Government, economically administered, the interest on the public debt, and such additional sum as it may seem to be good policy to apply on the principal.

The expenditures during the fiscal year ending June 30, 1871, including interest, were \$292,177,188.25; for the current fiscal year (partly estimated), \$293,403,382.92; for the next fiscal year (estimated), \$273,025,773.99. These sums exclude the sinking fund and all payments on the principal of the debt. The net receipts of the Government during the last fiscal year were \$383,323,944.89; for the current fiscal year (partly estimated), \$365,198,374.60; for the next fiscal year (estimated), \$359,000,000. The actual surplus revenue for the year ending June 30, 1871, was \$91,146,776.64; for the current fiscal year (partly estimated), \$71,794,991.68; for the next fiscal year (estimated), \$85,974,226.

The question arises, how far the estimates of expenditure will be increased by additional appropriations by Congress. It is not probable that any material change will be made in the aggregate appropriations for the current fiscal year, while our current receipts are largely in excess of the estimates. The increase is caused, to some extent, by the importation of goods in place of duty-paid goods destroyed by the fire at Chicago. The estimate of the Secretary of the Treasury contemplates a reduction of expenditure for the next fiscal year, as compared with this year, of more than twenty million dollars, or, as compared with last year, of more than nineteen million; but this is explained,

mainly by the exclusion from the estimates of the premium paid on bonds and the premium received on gold, which balance each other.

The estimates are based upon appropriations required by existing laws. They can be, and ought to be, diminished in several important branches of the public service. The abolition of the franking privilege, the reduction of public printing, the reduction of the internal revenue service, a close scrutiny of the pension list, a careful limitation of appropriations for public buildings, and a general cutting off of expenditures that grew out of the war, but which have survived the war, would enable us to repeal other taxes without injury to the public service.

On the other hand, the wants of a great and growing country like ours, exercising new powers, extending daily its influence into new regions within our own limits, and into far-distant countries whose civilization is more and more influenced by commerce with us—all these compel a gradual increase of just and proper expenditure. Such an increase does not indicate extravagance, but it does indicate growth, health, and strength.

There is another cause of a nominal increase of expenditure, which operates slowly and silently, but as surely as the march of invention and civilization. It is in the changing purchasing power of money. The dollar of to-day may contain as many grains of gold as does the dollar of a year ago, but its purchasing power is diminishing year by year, at a rate not less than one per cent. per annum. This change is partly caused by the increased production of the precious metals, and by the diminution of labor required, and the new inventions applied, to produce them. But, more than by all else, it is caused by the new device of modern finance which substitutes paper and credit, in innumerable forms, in the place of gold and silver; so that these metals are not now, as formerly, the active agencies of commerce, either foreign or domestic, but the mere standard or gauge of value. Even paper money, so called, the greenback and bank note, are crowded from their old use, and the check, draft, acceptance, and bill are the coin of exchanges, great and small, foreign and domestic, to an extent never before known. These facts make less coin necessary than formerly, and, coupled with the actual increase of gold and silver, slowly and surely depress their purchasing power, and make a greater sum necessary, not only to buy marketing or pay for labor, but to conduct a government.

This obvious tendency of a diminution in the value of money not only increases our expenditures, but adds to our revenues by the increased value of production. It also largely diminishes the burden of debt, and especially of a national debt running for a long period of years. It is also obvious that, as nearly one half of our expenditures are on the basis of paper money, they have been increased to at least the extent of the depreciation of that money. Salaries have been from time to time increased, to cover this depreciation, the increase in some cases being several times as great as the amount of the depreciation. The cost of all supplies for the army and navy, and of all labor for the civil service, has been enhanced in the same way. As our paper money approaches to a specie standard, we may expect a corresponding reduction

in the cost of supplies, but can hardly hope for a general reduction of salaries.

Again, we may reasonably hope that expenditures growing out of the war will diminish as time passes. My colleague in the House, General Garfield, made an interesting and accurate statement, showing that out of the \$291,564,441.43 of aggregate expenditures for the last fiscal year, \$175,543,140.27, or sixty and one half per cent. of the whole, was paid directly for the expenses growing out of the late war. The Secretary of the Treasury has estimated for a probable diminution of these expenses; but we must remember the vast mass of unliquidated war claims which are now under examination, large amounts of which will unquestionably be allowed, and will enter into our expenditures for some years to come. The great mass of our expenditures, probably over eighty per cent. of the whole, is settled by laws which are practically, if not theoretically, beyond the action of Congress. The public debt, the permanent appropriations, the salaries of public officers, the pay of the army and navy, Indian treaties—all these are in effect beyond probability of diminution. Still, as I have already stated, there are reforms which, if adopted by Congress, would enable us to propose a greater reduction of taxes than it is prudent for us now to do.

I wish to call the attention of the Senate for a moment to some remarks made in the House of Representatives by one of its most distinguished members, on this very point, which I think are apt to mislead the public at large, as well, perhaps, as the Senate and the House. The chairman of the Committee of Ways and Means, in cautioning the House against a too extravagant expenditure of the public money, has estimated for new items of appropriation, in addition to the sum of \$273,000,000 which I have already given, and which he says were omitted from the estimates. But this is, by a careful examination, easily explained. He says:

Now, I want to call the attention of the House to what the officers of the Department have added to this amount:

Estimates for 1872-'73, not including pay toward public debt.....\$273,025,773  
To be added:

Omissions from estimates.....	\$1,500,000
Deficiency bill.....	6,200,000
Buildings in Chicago.....	4,000,000
Buildings in Hartford.....	300,000
Buildings in St. Louis.....	250,000
Buildings in Albany.....	350,000
Buildings in Indianapolis.....	100,000
Buildings in Quincy.....	150,000
Buildings in Trenton.....	250,000
Corporation tax to be refunded.....	2,500,000
Pensions dated back up to and including 1873.....	10,664,685
Washington treaty.....	310,000
	26,574,685

Total..... \$299,600,458

On a careful analysis of this statement I find that his fears are entirely unfounded, and that the estimates already given by me include every item of expenditure, with but few exceptions, that are necessary

to be provided for by law. They are rather over- than under-estimated. For instance, as to omissions from the estimates, stated by him at \$1,500,000, I can find none such. The deficiency bill he puts at \$6,200,000; but that is a deficiency for this year, not for the next year. It does not go into the expenditures of next year at all, and will be paid out of the large surplus revenue of the present year. Then he speaks of "buildings in Chicago, \$4,000,000." It is true that we may expend \$4,000,000 for buildings in Chicago, but our receipts have been increased more than twice \$4,000,000 by the destruction of duty-paid goods in that city; and all the expenditures necessary to be incurred by the United States in the reconstruction of buildings in Chicago will be more than counterbalanced by the gain upon duty-paid goods, which must be imported to supply the place of those destroyed by the fire.

Another item is, "Corporation tax to be refunded, \$2,500,000." In the first place, the bill for the refunding of taxes has not yet passed; but, if it does pass, it will only take so much money out of the current receipts for this year, of which there is a large surplus.

The "pensions dated back to and including 1873" are estimated by him at \$10,664,685. It is enough to say that the House of Representatives, probably without a careful examination of the subject, passed that bill; but I am assured there is not the slightest probability that it will pass the Senate, or be even reported. The chairman of the Committee on Pensions informs me that there is no probability or possibility of such a bill passing at this session.

So I find that, of all the items of increase to be provided for according to this statement, there is but \$1,710,000 left, while on the other hand the Committee on Appropriations in the House has already, to its credit, largely reduced the estimates of the Secretary of the Treasury. For instance, the fortification bill, which is estimated at \$3,219,000, is reduced in the House of Representatives to \$1,985,000. The appropriations for public works, instead of being \$19,468,000, will, I am told, in the single item for rivers and harbors, be reduced about six million dollars; and there is scarcely a possibility, certainly no probability, that Congress will authorize, all told, for public buildings, the amount of \$19,468,000 estimated by the Secretary of the Treasury. It is likely that certain public buildings will be erected, but it is not probable that the amount named for them in the annual estimates will be expended for that purpose.

I assume, then, upon the estimate of the Secretary of the Treasury, that the sum of \$273,025,773.99 will be required to meet the interest on the public debt, the pension list, and the other proper expenditures of the Government. To this must be added such further sum as, by a wise public policy, ought to be applied to the reduction of the debt. So much of this sum as is set apart as a sinking fund, under the acts of February 25, 1862, and July 14, 1870, is not open to discussion. This fund consists of two items, to wit: one per cent. of the aggregate debt, or \$22,895,930, and the interest upon the capital of the sinking fund, which next year will be \$5,783,333; making together an aggregate of \$28,679,263. This sum, increasing year by year, is specifically pledged

to the reduction of the debt; and its regular payment is as much a part of the public obligation as is the payment of interest.

Whether a greater sum shall be applied to the reduction of the debt is purely a question of public policy. There is not now the same motive as formerly for its rapid extinction. Since the close of the war we have been paying interest at the rate of seven and three tenths per cent. annually. We could sell our six per cent. bonds for coin only at a large discount. We had a vast unliquidated floating debt, which it was clearly the public policy to pay off rather than to swell the funded debt. Even our liquidated debt was largely in demand, or other short-time liabilities. Our currency was so far depreciated as to affect the public credit in all the money markets of the world. At the present time the change is wonderful. Since the commencement of General Grant's administration the improvement in our financial condition has been unexampled. We can borrow readily at five per cent., and are now negotiating for a still lower rate. All of our six per cent. bonds, which include the great mass of our indebtedness, are above par in gold, and await our pleasure as to the time of payment. The floating debt is all paid, save that which is litigated and disputed. All our demand liabilities are discharged, except a balance of the three per cent. certificates, and these are being gradually redeemed. Our currency approximates in value to the specie standard, and the Government is strong enough to resume at any moment, the time being only a question of domestic policy, as it affects debtor and creditor, producer and consumer. The banks in the national system are so generally distributed that they furnish a uniform currency, and they only await the mandate of the Government to maintain that currency at par with gold and silver.

Every element which forms the basis of public credit, our strength, our resources, and our fidelity to public engagements, has been demonstrated. No unnatural strain upon our resources is now necessary to enable us to fulfill our public engagements, to resume specie payments, or rapidly to fund our debt at lower rates of interest. But we have a traditional national policy, uniformly maintained in time of peace, founded upon good reasons, and supported by the advice of all the eminent statesmen of our country, that such provision ought to be made as will, if not interrupted by war, pay off the public debt within the life of a single generation, or in about thirty years. This we can now easily do, and yet at each Congress repeal and reduce taxes. The Committee on Finance concluded that \$50,000,000, including the sinking fund provided by law, should be annually applied to the reduction of the debt, and that this sum, added to the \$273,025,773.99 of appropriations, or a total of \$323,025,773.99, should be the basis for determining our revenue reduction.

In estimating the revenue for the next fiscal year, especially from customs duties, we have several elements of uncertainty. Internal revenue, based upon consumption, and customs duties on such articles as tea, sugar, and coffee, may be estimated with reasonable accuracy; but the results of any given rates of duty on the great body of textile and metallic fabrics are proverbially uncertain. An overflowing Treasury, being itself evidence of excessive importations, may within

a single year become the indirect cause of a deficiency of revenue. The results of any system of duties can only be conjectured by a careful study of trade, and the most sagacious merchants have sometimes wrecked their fortunes by a mistake in this matter.

One illustration I remember very well. In March, 1857, we were legislating to reduce the revenue, because we had such an overflowing Treasury. My honorable friend from Vermont [Mr. Morrill], then, like myself, a member of the other House, said that he would vote for almost any bill which would reduce taxes, in order to get rid of the surplus revenue. At the very next session we were met with a deficiency, and were compelled to borrow money from the beginning. The occasion of this was the revulsion of 1857, which paralyzed all trade—the revenues of the country being then derived entirely from imported goods. A long period of time shows, as a general result, an annual increase of revenue of about four per cent. per annum from the same taxes. This increase has been less subject to violent fluctuations with our paper currency than with specie payments.

Again, the effect of the repeal and reduction of taxes has always been over-estimated. The decrease of a tax rarely produces a corresponding decrease of the revenue. In some cases it causes an increased importation of the foreign and a falling off in the domestic fabric, while in others it induces an increased consumption of the article. Since the 1st day of July, 1867, to this time, the receipts from customs have gradually risen, as follows:

In the fiscal year 1868.....	\$164,464,599 56
In the fiscal year 1869.....	180,048,426 63
In the fiscal year 1870.....	194,538,374 44
In the fiscal year 1871.....	206,270,408 05

This is an annual increase of nearly fourteen millions; and yet, during this period, customs duties were repealed which yielded \$20,000,000 per annum. It is now evident that the customs duties for the current year will largely exceed those for last year, and there is no apparent reason why this increase shall not continue during the next fiscal year. The receipts from customs from the 1st day of July, 1871, to the 1st day of March, 1872, a period of eight months, are \$146,721,000. If they continue at the same rate for the residue of the fiscal year, the aggregate receipts will be \$220,061,500.

Four months ago the Secretary of the Treasury estimated the receipts from customs for next year at \$212,000,000; but upon the basis of existing law we may fairly estimate them at \$226,000,000. The internal revenue for the next fiscal year, upon the basis of existing law, is estimated at \$119,500,000, as follows:

Spirits.....	\$50,000,000
Tobacco.....	36,000,000
Fermented liquors.....	8,500,000
Banks and bankers.....	5,000,000
Gas.....	3,200,000
Adhesive stamps.....	16,000,000
Penalties.....	500,000
Articles and occupations formerly taxed, but now exempt.....	300,000
<b>Total.....</b>	<b>\$119,500,000</b>



This estimate does not include the residuum of the income tax on personal incomes for 1871, a part of which will come into the Treasury during the next fiscal year, and will make fully good the estimate of the Secretary of the Treasury, of \$126,000,000. We have then the proceeds of the sale of public lands, and miscellaneous sources of revenue, estimated at \$21,000,000, making an aggregate revenue for the next fiscal year of \$373,000,000, as follows:

Customs.....	\$226,000,000
Internal revenue.....	126,000,000
Public lands.....	3,000,000
Miscellaneous.....	18,000,000
Total.....	\$373,000,000

This will create a surplus of \$100,000,000 over my estimate of \$273,000,000, or of \$86,000,000, over that of the Secretary of the Treasury.

The general balance-sheet is as follows:

*Estimated receipts and expenditures for the year ending June 30, 1873.*

RECEIPTS.

From customs.....		\$226,000,000 00
From internal revenue as follows:		
Spirits.....	\$50,000,000 00	
Tobacco.....	36,000,000 00	
Fermented liquors.....	8,500,000 00	
Banks and bankers.....	5,000,000 00	
Gas.....	3,200,000 00	
Adhesive stamps.....	16,000,000 00	
Penalties.....	500,000 00	
Articles and occupations formerly taxed, but now exempt	300,000 00	
Residuum of income tax.....	6,500,000 00	
		126,000,000 00
From sales of public lands.....		3,000,000 00
Fees from United States consuls.....	\$565,563 24	
Fees on letters patent.....	620,319 11	
Tax on circulation, deposits, etc., of national banks.....	6,303,584 32	
Repayment of interest by Pacific Railroad companies.....	813,284 75	
Homestead and other land fees.....	645,923 17	
Unenumerated.....	9,051,225 41	
		18,000,000 00
Total.....		\$373,000,000 00

EXPENDITURES.

Legislative establishment.....		\$3,421,812 40
Executive establishment.....		17,443,531 38
Judicial establishment.....		3,883,350 00
Military establishment.....		31,422,509 88
Naval establishment.....		18,946,088 95
Indian affairs.....		5,445,617 97
Pensions.....		30,480,000 00
Public works under Treasury Department.....	\$3,104,500 00	
Public works under Interior Department.....	244,800 00	
Public works under War Department.....	14,609,662 97	
Public works under Navy Department.....	1,483,100 00	
Public works under Agricultural Department.....	26,500 00	
		19,468,562 97
Postal service.....		5,474,001 00
Miscellaneous.....		11,258,325 44
Permanent appropriations.....		126,281,974 00
Carried forward.....		\$273,025,773 99

Brought forward.....		\$273,025,773 99
Sinking fund.....	\$22,895,930 00	
Interest upon capital of sinking fund.....	5,783,333 00	
Reduction of debt in excess of sinking fund.....	21,820,737 00	
		50,000,000 00
Total.....		\$323,025,773 99
Receipts in excess of expenditures.....		49,974,226 01
		\$373,000,000 00

I wish also in this connection, as this is a matter of public information, to refer again to the remarks made by the honorable member of the House of Representatives to whom I alluded a moment ago. He seemed to think that the estimates of our receipts which I have presented are overstated; and, in order, no doubt, to deter the House from passing too large appropriations, or increasing the expenditures of the Government, he endeavored to warn them against the possibility of a deficiency of the revenue. He said: "The other source of revenue is what is known as miscellaneous revenue. In its nature it is a very uncertain item to rely upon." Then he proceeded, after some discussion, to reduce the miscellaneous item from \$19,384,000, as I gave it, to \$12,181,379. But when I come to examine the various items which compose this miscellaneous revenue, I find they are not uncertain. They vary very much, it is true, from year to year, but they are among the most certain sources of revenue; and there is scarcely a doubt that the estimate given by me is an under- rather than an over-estimate. Among the other items included in what are called "miscellaneous" is the tax on the capital, circulation, and deposits of national banks, which is increasing year by year. Last year the tax was between five and six millions, and this year it is estimated at \$6,303,000. It is one per cent. on the amount of circulation, one half of one per cent. on the amount of deposits, and a like rate on the amount of capital not invested in United States bonds; and the whole tax can not be less than from six to eight million dollars.

The other matters which come under the miscellaneous head are permanent items of revenue. For instance, the "repayment of interest by the Pacific Railroad." That road, by its improved condition year by year, is able to repay more and more of the interest due. Then we have "consular fees," "homestead and other land-office fees," "tax on seal-skins," "reimbursement of the United States for salaries of store-keepers of internal revenue bonded warehouses"—as stable as anything can be—\$557,000; "parting charges, refining gold and silver coin, \$200,000"; "direct tax," which is still coming in; and so of the various other items which compose this "miscellaneous" item. My honorable friend to whom I have alluded has undoubtedly fallen into an error as to the character and nature of these sources of revenue. I have no doubt they will exceed rather than fall short of the estimates that have been given.

Again, he says that the income tax is estimated to yield \$12,000,000, but that, as the tax expired with the last year, as a matter of course, that source of revenue fails; but he is in error in regard to that. The amount of income tax estimated to be collected during the next fiscal

year is \$6,000,000 only, a part of the whole estimated tax being collected during the present fiscal year, and going to swell its large surplus. Only \$6,000,000 was ever estimated for the next fiscal year.

He also says: "The Secretary of the Treasury, taking last year, and so much of the present year which has passed, estimates the amount to be received from customs, for the purpose of estimating the public expenses, at \$212,000,000." If the rate of duties received during the eight months of the current fiscal year shall continue for the next four months, which months are equally as favorable for the importation of goods, the actual receipts for the current year will not be less than two hundred and twenty-odd million dollars; and, making the ordinary allowance for an increase, the same duties will, during the next year, unless we have a financial revulsion, produce not less than \$226,000,000, and probably as high as \$230,000,000, instead of \$212,000,000.

I will not pursue this matter further, because I think I can see very clearly that the object of the remarks of the honorable gentleman to whom I referred was rather to caution the House against unnecessarily increasing expenditures, by telling the very true and very sober fact that every increase of appropriation compels us either to continue a tax we might otherwise repeal, or to levy a new tax, in case the expenditures should greatly exceed the amount of our revenue.

It thus appears, upon the principles which I have stated, and upon estimates which necessarily involve uncertainty, that, after applying \$50,000,000 upon the public debt, we shall still have a surplus revenue of \$50,000,000. Fifty millions, then, is the extent of our revenue reduction for this session. How shall this reduction be distributed among the objects of taxation? In what mode will the greatest relief be given to the people of the United States? Shall this large reduction be made the occasion of the entire revision of the principles upon which our revenue laws are based, or shall we simply repeal or reduce the most burdensome taxes, leaving undisturbed the general principles of our system?

Since the passage of the act of March 2, 1861, commonly known as the "Morrill tariff," our domestic industry has been protected from foreign competition by duties on foreign fabrics, mainly specific, but, when reduced to *ad valorem* rates, ranging from twenty to eighty per cent. Under this protection all branches of manufacture have increased in an unparalleled degree. Old industries have been multiplied and new ones established. In the conduct of our military and naval operations we have relied mainly upon the products of home industry. We now produce nearly all the metallic and textile fabrics necessary for the use of man, and the superior invention and intelligence of our mechanics is largely making good the difference between the cost of labor here and in Europe.

The actual cost of the leading productions of industry is now, under domestic competition, nearly, and in some cases quite, as low as before the war. The market value of all agricultural products has, by the diversity of our industry and the rapid extension of our railroads, been maintained as high proportionately as that of mechanical fabrics, while

the increasing use of agricultural machines of home manufacture has lessened the labor of production. Wages of every kind, whether for the skilled labor of the artisan or for the rudest form of manual labor, either on the farm, in the mine, the workshop, or upon the railroad, have been maintained at rates which more than compensate for the increased cost of mechanical and agricultural productions.

Our protective system has drawn to our country a vast army of industrious laborers. Even the high taxes we have been compelled to impose on domestic industry have not diminished our production, for they are accompanied by increased taxes on foreign products. We may theorize as we will, but the actual condition of the country is the best evidence that the industrial policy steadily maintained by us during the war, and since the war, has been consistent with the most rapid progress, has enabled us to meet unexampled difficulties, and yet has increased our imports, our exports, and our revenue.

The fear that high duties would lessen our foreign commerce is met by the steady growth of it. Our imports were :

In 1869.....	\$414,256,243 29
In 1870.....	452,875,665 68
In 1871.....	518,759,518 32

Our exports were :

In 1869.....	\$413,961,115
In 1870.....	499,092,173
In 1871.....	562,518,651

These figures show a steady increase in our foreign commerce, with a growing balance of trade in our favor.

We have not the statistics to demonstrate the annual growth of our internal commerce, but we know that its increase has been much greater than that of our foreign commerce, and it is now estimated at the enormous sum of \$4,000,000,000. The falling off in our merchant marine on the ocean is caused by the substitution of iron for wooden vessels, while, for internal commerce, railroads are rapidly taking the place of water navigation. If foreign-built vessels were admitted to American registry at a reasonable rate of duty, both for internal and external commerce, it would not only encourage the building of American iron ships, but would secure a healthy competition in our internal and coasting trade, now absolutely protected by our navigation laws.

If, then, the wisdom of our protective policy is to be tested by experience, I insist that it is proved to have been a wise policy in the actual condition of our country. No doubt changes are demanded by the improved and improving condition of our finances. Our taxes must be reduced to correspond with the reduced wants of the public service ; but every industry that has been called into existence by our policy, every skilled laborer whom we have invited to our shores or encouraged to devote himself to a special employment, every capitalist who has been induced by our laws to invest his money in industrial pursuits, every hamlet, village, and city that has been built by reason of our protection laws, every community of farmers, or laborers, or shop-keepers, whose industry has been employed by reason of our policy, may demand of us that any changes in our laws shall be made with careful reference

to the industry, capital, and skill that have been thus encouraged, invested, or employed in the development of our policy.

All laws that affect the industry of the people should be as stable as possible, consistent with the inevitable changes that attend human wants. I hope, therefore, that in making the reduction of our revenue we will all agree that it shall be so done as to give the greatest measure of relief, and do the least possible injury, to any industry fostered by our laws.

In the reduction of duties since the close of the war, it has been conceded that internal taxes should first be repealed. They were the product of the war, were new, inquisitorial, reaching every county and hamlet, and were collected by officers of the law brought to the door of every household. The worst of these taxes have been repealed; but there still remain many special taxes which make it necessary to keep revenue officers in every county of the United States. These special taxes are imposed on wholesale and retail dealers in spirits, tobacco, and beer, on banks and bankers, and on gas. Many of the stamp taxes are imposed on the production of such articles as matches, medicines, and the like; others are on the sale of property and on commercial paper; while all of them involve the employment of a multitude of agents for the sale of stamps, at a cost of five per cent. on their sales. While productive, they are annoying, expensive in collection, and in a multitude of cases easily evaded. If the special taxes on spirits, tobacco, and beer can be consolidated with the tax now levied on the manufacture of these articles at the distillery, brewery, and manufactory, and the special tax on gas and bankers be repealed, we can then dispense with the vast army of revenue officers, and concentrate the attention and surveillance of the internal revenue office upon the places where whisky, tobacco, and beer are made. If we can dispense with the stamp taxes, the whole system of internal taxes will disappear, except the excise taxes on whisky, tobacco, and beer, which, by the common consent of both producer and consumer, are recognized as proper objects of taxation.

The taxes on the circulation and deposits of national banks do not enter into our internal revenue system. They are rather regarded as the fund from which to pay the expenses of printing the notes and maintaining the system. The excess collected from this tax over these expenses may properly be regarded as a return payment for a franchise. The tax is collected directly by the Treasurer of the United States, and should be retained. If it be deemed best to retain this tax as against other banks and bankers, it may be collected in the same way and by the aid of bank examiners.

In advance of a definite measure dealing with internal revenue, I am prepared to say, without committing any one else, that we can and ought now to repeal all internal taxes except those on whisky, tobacco, and beer, and to consolidate and simplify these last.

The income tax expires with the collection of the tax of 1871, which, on personal incomes, is assessed during the present month. The public mind is not yet prepared to apply the only key to a genuine revenue reform. A few years of further experience will convince the body of our people that a system of national taxes which rests the whole burden

of taxation on consumption, and not one cent on property or income, is intrinsically unjust. While the expenses of the National Government are largely caused by the protection of property, it is but right to require property to contribute to their payment. It will not do to say that each person consumes in proportion to his means. This is not true. Every one must see that the consumption of the rich does not bear the same relation to the consumption of the poor as the income of the one does to the wages of the other. As wealth accumulates, this injustice in the fundamental basis of our system will be felt and forced upon the attention of Congress. Then an income tax, carefully adjusted, with proper discriminations between income derived from property and income from personal services, and freed from the espionage of our present law, will become a part of our system, just as such a law proposed by Sir Robert Peel, after a disuse of twenty-five years, was the basis of the revolution in the tax system of Great Britain.

If these changes in our internal revenue laws be made, it will reduce internal taxes \$31,500,000, or from \$126,000,000 to \$94,500,000. But this reduction of taxes will be accompanied by a reduction of our expenditures of not less than \$2,500,000; and if the new regulation as to the whisky tax should prove practicable, the reduction of expenses will be much greater. This will leave us a net loss of revenue of \$29,000,000, and with a margin of \$21,000,000 for the reduction of tariff duties.

Upon what articles and upon what principle shall this reduction be made? The House of Representatives proposes to repeal the duties on coal and salt, articles largely produced in this country, and on tea and coffee, which are not produced in this country. The aggregate duties collected on these articles last year were:

On coal.....	\$538,375 82
On salt.....	1,175,587 37
On tea.....	8,322,994 67
On coffee.....	10,969,098 77
In all.....	\$21,006,056 63

or just the amount we are able to repeal. Why single out these articles for special repeal?

The whole quantity of coal imported last year was 431,108½ tons. The amount of bituminous coal produced in this country last year is estimated at 15,000,000 tons, and of anthracite at 19,000,000 tons, or an aggregate of 34,000,000 tons; so that the imported coal equals less than one and a half per cent. of the amount consumed. The whole benefit of this repeal will inure to Nova Scotia, and not to any part of our country. The cost of production of domestic coal fixes its price, and the only effect of the repeal will be to raise the price of foreign coal for the benefit of Nova Scotia miners and land-owners, or more especially for the benefit of American speculators in coal mines in Nova Scotia. It will not appreciably inure to the benefit of our consumers. To the precise extent that the repeal increases the importation of foreign coal, it will diminish the mining of our own. Finding our vast market open and free to them, they will force the production in Nova

Scotia, and divide the profits between their land-owners, their miners, and their sailors. Our industry will be diminished to the same extent, without benefiting our consumers.

Again, free coal will have the same effect upon Nova Scotia that the reciprocity treaty had in Canada. It will give to its people the benefit of our markets without the burden of our taxes on home producers. It will make the annexation of those kindred countries impossible.

Again, it is gross injustice not only to our miners, but to our shippers. By the settled policy of our navigation laws, no foreign vessel can carry our coal from Philadelphia to Boston; but under this repeal they can carry it from Nova Scotia to Boston. It is said that a foreign vessel can carry more cheaply than ours. Thus you discriminate in favor of Nova Scotia, by allowing their products to be carried in the cheapest vessels in the world, while our miners must ship in an American vessel. You must repeal your navigation laws before you can make coal free. The same vessel that carries coal from Nova Scotia to Boston can not carry domestic coal there; and yet Boston at the same moment insists upon the navigation laws and upon the repeal of the duty on coal.

Moreover, so far as the duty on coal is concerned, it is only claimed that its repeal may slightly reduce the cost of coal consumed northeast of New York. It can not affect the price elsewhere, because, even without a duty, foreign coal will not be used south or west of New York. Now, New England has the benefit of our navigation laws and our duties, protecting their industries. Coal is the finished product of the miner as much as cloth is of the manufacturer. How can you convince the miner that he should not have the benefit of a duty on coal when you demand it on cloth?

So with salt. Salt is largely produced in this country. It is chiefly the product of interior sections, where other manufacturing industries do not exist. The chief sources of supply are at Syracuse, New York, at Saginaw, Michigan, and at Pomeroy, Ohio. It employs fifteen thousand persons and twenty millions of capital. It is an absolute necessity of life. This industry must be maintained in war, for our foreign supply would be imperiled in case of hostilities between this country and any maritime power.

The domestic supply is ample, and the product is cheap. It is sold in every home market at less than one cent per pound. Our fishermen, who must compete with foreigners, have their salt, in effect, duty free, for they are paid a drawback of the duty on all they use. It is a Western commodity, and its production, transportation, and use represent labor. Every part of it is labor. The raw brine costs nothing but the labor of pumping. It is labor in the form of salt. If labor is to be protected, why should labor producing salt be excepted? There is now a duty on salt of eighteen cents per hundred pounds, or less than one fifth of one cent per pound. If all textile and metallic fabrics must be protected, why not salt? If you look for revenue, it yields over one million, with little cost and absolute certainty. If you look to protection to labor, what duty gives protection more properly

than the duty on salt? The duty does add to the cost of the article on the seacoast, but does not affect the price in the West; but if duties are to be levied only on articles which are the manufacture of the East, how long will they stand?

The revision of the tariff must be treated as a whole. General principles must be applied. If special exemption from duty is applied to one article of domestic product, it must be applied to all. We may stand upon exemptions from duty on articles that we can not produce, but we can not stand upon a special exemption on any article that we can and ought to produce. Free coal and free salt mean free iron and free woolens. You may discriminate in rate of duty by reason of cost, bulk, capacity of production, and for other causes, and for them you may properly reduce the duty; but you can not make the article free, whether you adopt the theory of a revenue or a protective tariff.

It is said that coal and salt are raw articles. Every article is the finished product of one industry—coal of the miner, salt of the boiler. Every commodity is only the raw basis of other industries—cloth for the tailor, tools for the farmer, machinery for the manufacturer; and all of them are the raw articles of the merchant. I therefore conclude that, whether we regard the duties on coal and salt as revenue or protective duties, they ought not to be entirely repealed, and therefore the House bills ought not to pass.

As to the duties on tea and coffee, their repeal is simply a question of revenue. We can not produce them. They are of such general use as to enter into the consumption of nearly every family in the United States. The duties on sugar, tea, and coffee are among the most stable and unchangeable sources of revenue. The quantities consumed vary less than those of any other chief articles imported. They are bulky, and can not be easily smuggled. The duty is specific, and is rarely evaded by fraud. Still, they are regarded as necessaries of life. The repeal of the duty will lessen the cost to the precise extent of the duty. Dealers will not at first lower the price, but competition will soon reduce it; so that the repeal of either of these duties will, in some degree, cheapen the daily meals of nearly every family. The House of Representatives has shown its desire to make tea and coffee free, by twice passing bills for that purpose; but it is manifest that if this is done we must postpone for the present all other reductions of duty. We are compelled to consider whether other duties ought not to be modified before this purely revenue duty is entirely repealed.

I come now briefly to consider the measure proposed by the Committee on Finance. Instead of repealing entirely the duties on coal, salt, tea, and coffee, we propose a large reduction of them. We reduce the duties on lumber, rice, lead, and other articles, the rawer products of industry, on which the present rates are excessive. We add largely to the free list, and propose a reduction of ten per cent. of the duties on most textile and metallic fabrics. The reduction proposed is \$22,507,323.26; but we may fairly anticipate such lessening of expenses and such increase of importation as will reduce the loss of revenue to \$21,000,000.

This is not the time for stating in detail the reasons for the great



reduction on certain specific articles. As the debate progresses each article will be separately considered, and if we err as to details the Senate will correct us. I have now only to consider the general principles involved.

We are met by opposing theories of political economy, by theories of protection and theories of free trade. The object of protection is to secure to home industry the benefit of the markets of our own country. The means proposed are high duties on foreign fabrics which compete with our own, and low duties, or none at all, on foreign articles used in manufacturing. The object of free trade is to secure an article at the lowest price, without regard to its place of production. A revenue tariff is inconsistent with the extreme theories of both the free-trade and protection schools; for if a foreign article is excluded by rates of duty so high as to give the home producer the entire market, the revenue is destroyed as absolutely as if no duty at all were imposed. This obvious truth reduces a revenue tariff to a matter of details; and in determining the rate of duty on any article, due weight must be given to the nature of the article—whether it can or can not be produced in this country, and whether the duty should be higher or lower than the average rate requisite to produce the revenue needed. This principle is admirably stated in the report of Robert J. Walker, made in 1846. While I do not agree with all the details of that report, it contains some excellent general principles.

In the course of the innumerable discussions on this subject by different commercial nations, it has become obvious that theories and maxims adopted by one nation in fixing the rates of duty are totally inapplicable to another nation, by reason of the differences of climate, soil, productions, labor, and age. This is especially true of Great Britain and the United States. In all the essential elements which determine a tariff policy we are the exact antipodes of Great Britain. Their chief occupation is that of manufactures; ours of agriculture. Their chief commerce is foreign; ours is domestic. They produce but little raw material; we produce more than any other nation. Their extent is small; ours is vast. They are very rich; we are not. In Great Britain capital yields the smallest interest; here it yields the highest. There labor is low in price and abundant; here it is very high. The industry of Great Britain could not survive without foreign raw materials; here we have, undeveloped, the necessary raw material for all products which are essential to the happiness and comfort of man.

Again, this subject of the tariff has been so often discussed and acted upon in Congress, that we may say that certain principles are settled in the United States, by the common consent of our people. It is settled that our national revenue must, in the future as in the past, be mainly collected by duties on imported goods; and, as the war has enormously increased our wants, we may as well dismiss to future generations the extreme ideas of free trade and protection, which are alike inconsistent with a revenue tariff. It is fairly settled that, in levying duties, at least the average rate will be put upon articles of foreign manufacture that come into competition with home industry, and that

these duties will be so graded and classified as to give full incidental protection to industries natural to our country, and for which we have the raw material. It is settled that, as the difference between the price of labor in this country and in Europe is the chief cause of the difference in the cost of production here and there, it is not good policy, by permitting too close a competition between foreign and domestic production, to reduce the wages of American labor, engaged in producing any article essential to our wants, below the standing of other similar labor in this country. It is agreed that, to secure certainty and avoid undervaluation, all duties should, as far as practicable, be specific instead of *ad valorem*. These principles are the basis of the American system of protection, embodied in the act of March, 1861. The rates of duty have been much increased by the new demands for revenue caused by the war, and may now be reduced as these demands diminish; but these protective principles will, I trust, be maintained as the essential foundations of our national prosperity.

On the other hand, it is equally well settled that there is a multitude of articles in which the traffic should be as free as our domestic trade. All raw productions of nature, which are the gift of Providence, ought to be as free as the hand that gave them; but if they can be made available by labor, and yet are abundant in our country, the rate of duty should not be higher than will compensate for the bare difference in the wages of such labor here and in the place of exportation.

There is a great number of articles, the product of tropical climes, or which for other causes are not readily producible here, that ought to be admitted free, or at such moderate revenue rates of duty as our wants demand. Where the amount imported is small, the articles should be free; for a multitude of duties creates expense. When the quantity is large, as in the case of tea, coffee, and sugar, the only question should be whether the tax proposed is less burdensome than other taxes imposed. As this class of articles enters largely into the consumption of all, it has been the general policy of the country to admit them free, or at low rates of duty. We taxed them heavily during the war, for purely revenue purposes. We reduced those taxes two years ago, and now propose to reduce further the taxes on tea and coffee, but we are not yet prepared for their entire repeal.

I come now to consider the duties imposed on textile and metallic fabrics. These constitute the great bulk of foreign articles that come into competition with the domestic fabrics. It is said that the present duties are not too high; that under them our industries are prosperous, and labor is well paid; and that, if the duties are undisturbed, domestic competition will reduce prices as rapidly as increased foreign competition can do so; that any change disturbs the business of the country by deterring new enterprises, and that it reduces the wages of labor. On the other hand, it must be remembered that the present duties, taken together, are far in excess of what they ever were before the war, and that they have been three times largely increased since the passage of the Morrill tariff act of 1861.

After a careful examination, in detail, of all the duties and the industries affected by them, it does not appear that the reduction proposed

will seriously affect these industries. During the war these duties were increased to counterbalance the internal taxes levied upon domestic productions. The last shred of those internal taxes will now be repealed, and no article of home industry will be taxed except whisky, tobacco, and beer. Our manufacturers have now to compete with their foreign rivals, with no disadvantage but higher-priced labor, and this is met by a duty of from thirty-five to one hundred per cent., or an average duty on the whole list of fifty per cent. This very bill repeals or reduces duties on raw materials for domestic fabrics to an extent which is fully equal to a reduction of ten per cent. on the finished product. This is admitted to be so as to many industries. The general lifting off of the burdens of internal taxation, and the repeal of taxes on raw materials, will enable our home industry to enter into a fairer competition. Shall, then, the protective duties be maintained without diminution, when all internal taxes are repealed, when raw materials are admitted free or at reduced rates, when our currency is appreciated near to the gold standard, and when the present duties are not needed for the support of the Government? Will the producers in other forms of industry consent to the maintenance of excessive rates of duty on mechanical fabrics?

The result of such duties is to secure to mechanical industries higher wages than can be earned in other kindred employments. Such excessive protection not only ceases to diversify production, but forces labor into protected employments. If the present rates of duty were high enough during and since the war, when home industry was burdened with heavy internal taxes—with stamp duties, income taxes, and high rates on raw materials—then surely they are now too high, when all these taxes are removed.

In a controversy like this between opposing theories, the highest wisdom often lies between them. While protecting home industry we ought not, in any case, to levy a duty so high as to exclude the foreign fabric, but only such as will secure fair but not excessive wages, and as will induce a competition between the foreign and domestic fabric that shall secure to the consumer the lowest prices consistent with the maintenance in our country of all the industries for which we have equal natural facilities. We must not compel our laborers to compete with the poorly paid labor of Europe; but we ought not, by our protection laws, to secure to them higher wages than can be earned in kindred employments.

Another series of causes is now slowly but surely operating in favor of American labor. The laboring men of Europe, by trade associations, and by laws prohibiting the employment of minors and women and limiting the number of apprentices, are raising the general rate of wages among all Christian nations. This is especially so in Great Britain. It is adding to the cost of foreign production, and so operates as a protection to our domestic labor.

For these reasons, and many others that will be stated in the course of the debate, the Committee on Finance is of the opinion that now, when so many taxes have been repealed, there ought to be a general reduction of the duties on textile and metallic fabrics; and that this

reduction should be at the rate of ten per cent., which is about the rate of the aggregate reduction of tariff duties. We expect to encounter the opposition of those who favor the maintenance of the highest duties on foreign competing fabrics, and of those who would abruptly disturb our industries by a sudden and radical reduction of duties to what they term a free-trade standard; and perhaps both classes of opponents will unite in repealing the purely revenue duty on tea and coffee. If this is done, we can repeal no other taxes with safety to the public service, and I shall then vote for striking out the ratable reduction on textile and metallic fabrics.

Indeed, Senators, the only question about which there is much controversy in this tariff bill is, whether you will let all the present duties upon textile and metallic fabrics stand, after we shall have given their producers the raw material free of duty, repealed all taxes upon them of an internal character, and reduced the purely revenue duty on tea and coffee; or whether you will also reduce the taxes on textile and metallic fabrics. My friend from Pennsylvania [Mr. Scott] has, at the outset, very properly presented by his amendment the only question in this whole tariff debate; and if that question were settled, we could arrange the details of the entire bill in one day. If, therefore, Senators unite—I do not speak of parties in this matter—but if Senators who represent different constituencies unite in repealing the duty on tea and coffee, it will be utterly impossible for us to go one step further; because, as I have shown, the utmost limit to which we can go in the repeal of tariff duties, if we propose to reduce our internal revenue, is \$21,000,000. We dare not go beyond that; and if you repeal the duty on tea and coffee, you will have surrendered all the revenue we can afford to surrender. I hope, therefore, that Senators, when they come to vote on this final question, though all would like to vote to repeal the duty on tea and coffee, so as to give some relief to every family in the country, will remember that by such a vote we preclude ourselves from the power of repealing the duties on textile fabrics.

I have listened with patience, day by day, to the statements of gentlemen who are interested in our domestic productions. I am a firm believer in the general idea of protecting their industries; but I assure them, as I have assured their representatives here, that if the present high rates of duties, unexampled in our country and higher by nearly fifty per cent. than they were in 1861, are maintained on metallic and textile fabrics, after we have repealed the very internal taxes which gave rise to them, and after we have substantially given them their raw materials free of duties, we shall have a feeling of dissatisfaction among other interests in the country that will overthrow the whole system, and do greater harm than can possibly be done by a moderate reduction of the present rates of duty. And I am quite sure that intelligent men, engaged in the production of various forms of textile and metallic fabrics, feel, as I do, that it is wiser and better to do what is just and right, to make a reduction on their products at least to the extent of the reduction in this bill on their raw material, rather than to invite a controversy in which I believe they will be in the wrong.

I have now, Mr. President, stated the general features of this bill. I will end, as I commenced, with the congratulation that we are able so soon again to throw off burdens cheerfully assumed by our people during the great civil war. No man can candidly review the dangers we have passed, the difficulties we have overcome, the burdens we have borne, and the success, growth, and prosperity that attended us amid all our difficulties, without a reverent feeling of thankfulness to Almighty God. Our honorable name and admitted rank among the nations of the earth, the general intelligence and comfort of our people, the rapid spread of our civilization over the Western plains, the diversity of our industry, and the vast increase of our productions—all these are accomplished results, which, if properly preserved and utilized, will realize the highest good that can be derived from human government.

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## FRENCH SPOLIATION CLAIMS.

*IN THE SENATE, DECEMBER 17, 1872.*

THE bill to provide for the adjustment and satisfaction of claims of American citizens for spoliation committed by the French prior to the 31st day of July, 1801, being before the Senate, Mr. Sherman said:

MR. PRESIDENT: My acquaintance with the French spoliation bill commenced with my entrance into the House of Representatives in the winter of 1855-'56, when, being a member of the Committee on Foreign Affairs, this old and interesting class of claims was handed to me for investigation. At that time my mind was entirely unbiassed upon the subject. The examination of the claims opened an interesting portion of American history, and, without much to do, I entered upon it, reading nearly all the public documents then already accumulated in great numbers of volumes. I informed myself in regard to all the points that had been made in the discussion of the question. After this examination I became entirely convinced that there was no ground either in law or equity why these claims ought to be paid by the United States. During that Congress there was no action upon them. From that time they have rested without any definite action by either House of Congress. Now they are pressed with a confident expectation of payment, and it becomes my duty, without much time for preparation, to give the reasons for my conviction why they ought not to be paid.

Mr. President, it is no bar to these claims to say that they are seventy-two years old; that the generation of men who knew all about the facts which gave rise to them did not recognize them as valid; that none of the actors of the period of 1800 who participated in the negotiations connected with the subject ever took any prominent or leading part in seeking to enforce them. A bill for paying these claims was never passed by the Senate of the United States until 1835. All the

men who participated in the historical events which gave rise to them had then disappeared. Seventy-two years have now rolled around, carrying away two or three generations of statesmen who knew of or acted here upon them; and yet these claimants are not discouraged, and still insist that they have a right to demand of the United States as a matter of law payment of \$5,000,000, at least, for injuries suffered by American citizens by French spoliations prior to 1800.

Nor is it a conclusive reply to these claims to say that they arraign George Washington, arraign the course of the American Government at its foundation; that they are based upon the allegation that we violated our treaties with France; that they arraign the conduct of all the early officers of the Government. If they are just claims, they ought to be paid even if their payment compels us to change the popular view of the whole history of the first ten years of the American Government.

The claims are pressed upon us with a pertinacity unparalleled. From the daily papers I cut recently an advertisement signed by James H. Causten, who represents that he has been for forty-nine years at the head of an organized agency in this city to prosecute these claims. He invites the citizens of the United States who are interested in them, or who are the descendants of claimants, to send their petitions to Congress. He says that this organization has been maintained here year after year. It was founded in the city of Washington before either House of Congress recognized any equity in the claims, before any committee of either House had reported in favor of them, after committees had reported against them, and has been kept up for forty-nine years. I will read, merely to show the character and nature of this claim, and how persistent and how enterprising has been its prosecution, a part of this public advertisement which is laid upon your table in every one of the daily papers in this city. It is dated—

AGENCY OF FRENCH SPOILIATION CLAIMS,  
OFFICE No. 1246 F STREET,  
WASHINGTON, D. C., *November 5, 1872.*

This institution was established forty-nine years ago, with the undersigned as agent and protector of the original claimants, all of whom are long since dead, as also their second generation. Their third generation are now living, but death and other casualties have rendered my record so far useless as to who and where they are to be found.

Then he gives notice to all these legal representatives who have not sent their petitions into the Halls of Congress to do so at once. He then goes on:

The delays of action on this case, occasioned by the late rebellion, impeachment of President Johnson, and the excitement just terminated in the presidential election, afford a free access to the attention of Congress; but, above all, the near approach of Congress, its short session, and much to be done by interested parties, point to the indispensable necessity for instant preparation by the claimants.

Printed blank memorials will be furnished by the undersigned free of cost; also, a printed pamphlet history and proceedings on the claims by both Governments and by Congress (at a trifling cost of printing) will be furnished those who desire it and shall so advise me by letter.

Mr. President, here is a claim, stated by the chairman of the Com-

mittee on Foreign Relations at \$20,000,000, which these people are offering to compound now, after seventy-two years, at five millions, pressed upon us year after year, after a lapse of seventy-two years, by an organized agency, which has been in this city for forty-nine years, and now advertises to the people interested to send forward their petitions in order to press Congress at this session to pass the French spoliation bill.

All these are considerations which ought not to prevent us from paying this obligation if it is just and honest. If it is right in law and in equity that the United States should pay it, I do not object to the means by which it is urged upon Congress, or to the long lapse of time. But, sir, this lapse of time and the means necessary to enforce the claim are circumstances which demand of Congress a strict scrutiny into all the facts alleged, that we may see whether or not the founders of this Government, with George Washington at the head, did injustice to these claimants, our own citizens; and whether all those who have preceded us in this position have so far been neglectful of their duty that they have refused to pay a just and honest claim so long. That is the question.

Now, sir, what is the basis of this French spoliation claim? As stated by Mr. Webster in the celebrated debate of 1834-'35, it is founded upon three assumptions. I will read from the opening remarks of Mr. Webster at the beginning of the debate, December 17, 1834; and I may here remark that this debate is the most complete, in my judgment, the most thorough and exhaustive, of the many made on this subject in Congress, although it was followed by many very able speeches. Mr. Webster said:

This bill supposed two or three leading propositions to be true.

It supposed, in the first place, that illegal seizures, detentions, captures, condemnations, and confiscations were made of the vessels and property of the citizens of the United States before the 30th of September, 1800.

It supposed, in the second place, that these acts of wrong were committed by such orders and under such circumstances as that the sufferers had a just right and claim for indemnity from the hands of the Government of France.

Here, at the very outset, I admit that these two propositions are true; that, according to my judgment, the acts of France in capturing our vessels did constitute a just and fair ground for the claims against the French Government, and that we were justified in doing all that we could, short of actual war, to enforce them. But it must be conceded that the French Government insisted that these captures and detentions were caused by our violation of our treaties with them. The claims of the two Governments were carried almost to open and general war, the French insisting that these captures and detentions were lawful acts of reprisal on the United States for her disregard, or alleged disregard, of the treaties with France, and that there was no obligation on the part of France, because of this lawful act of reprisal, to pay to these claimants any money indemnity, but that it was a controversy between the two nations; the United States, on the other hand, assuming that, under the circumstances, it had a right to issue its proclama-

tion of neutrality, and pursue the course of conduct which I will allude to presently. Then Mr. Webster states the third proposition :

Going on these two propositions, the bill assumed one other, and that was, that all such claims on France as came within a prescribed period, or down to a prescribed period, had been annulled by the United States, and that this gave them a right to claim indemnity from this Government. ("Congressional Debates," vol. xi., part I., page 16.)

Here is the gist of the whole matter : Did the United States annul these obligations by assuming them under such circumstances as would make a liability on the part of the United States to pay our citizens for these depredations ? I say that, by a careful examination of all the facts of this history, the chief of which I will now bring before you, it appears that neither by the law of war, nor by international law, nor by justice or right, did the United States ever assume or incur any obligation to pay these debts to our citizens. There was never the slightest thing done in the ten years during which they arose which gave a legal or an equitable claim on the part of these citizens as against the United States ; but, on the contrary, the United States pressed these claims, insisted upon them, demanded them, urged them, pressed them even to the point of war—went far beyond the duty of the Government in favor of its citizens as against a foreign nation, and discharged all the obligations which, by any rule of morals, duty, or law, are imposed upon any nation in behalf of its citizens against foreign nations.

Mr. President, having thus stated the general view of this case as made by Mr. Webster and the general impression that the facts have made on my own mind, let us very briefly pursue the historical events, which I can do only by referring to some of the leading incidents of the controversy ; and the first and the groundwork of the whole are the treaties with France made during the revolutionary war, in 1778. The treaty of alliance is the first in order. This treaty with France was the life-blood of our country at the time it was made, without which we might have struggled through a long, wearisome war, and perhaps have failed to attain our independence, but with which we were enabled in a short time to establish this nation.

The eleventh and twelfth articles of the treaty of alliance contain two guarantees. The eleventh article contained mutual guarantees, one by France of "the liberty, sovereignty, and independence" of the people of the United States, "absolute and unlimited as well in matters of government as commerce," and a guarantee by the United States to France of "the present possessions of the crown of France in America," with the additions or conquests they might obtain during the war. The effect of the two articles, eleventh and twelfth, was a mutual guarantee, by which France guaranteed to us our liberty and independence, and we guaranteed to France her West India possessions. That is not the precise language, but that was the definite meaning of the articles.

The treaty of commerce entered into between the two nations on the same day contains four articles which become material to this controversy. Articles seventeen and twenty-two were made for the benefit of France. They provide that prize of war may be carried into the ports of either party, and that no shelter shall be given by either party



to the captors of prizes from the other party; that is, that the ports of the United States should be free for France to bring in her seizures of vessels of foreign nations with whom she was at war, and that we should not give the corresponding benefit to any other nation. The twenty-second article provides that foreign privateers shall not be allowed to fit out or sell their prizes in the ports of either party, but that the privateers of either party may use the ports of the other to fit out and equip private armed ships and vessels of war. These two provisions were made in the interest of France.

The twenty-third and twenty-fourth articles were made in the interest of the United States. The twenty-third article provides for liberty for either party to trade with a nation at war with the other. That is, while the United States gave to France these important advantages of the use of our ports to her privateers and her captures, yet we were to be at liberty to trade with nations with whom she was at war, and free ships should carry free goods. In other words, to apply it to the events that followed, if a war should occur between France and Great Britain, while we were bound to receive in our ports French privateers and French captured vessels, we had a corresponding right to trade with England, and under our flag to carry even articles which by the law of war were contraband of war into the ports of England.

The twenty-fourth article proceeds to define what shall be considered contraband of war, and changes the whole rule of international law, making it much more liberal to the United States; so that this treaty of commerce, while it gave to France certain facilities, gave us privileges of vast importance.

In a moment you will see, Mr. President, what was the bearing of these treaties on the controversy which soon sprang up. These were mutual concessions, some for the benefit of the United States and some for the benefit of France. The honorable Senator from Massachusetts in his report treats the whole thing as if the treaty of commerce was all on one side, as if there were no provisions in that treaty that bore hardly upon France; and yet it will turn out immediately that at the very time this treaty was first put in force, at the very breaking out of the war, France was the first to violate the stipulations of the treaty, the only stipulations made in our favor, and her persistent violation was made one of the grounds upon which General Washington based the proclamation of neutrality, and virtually suspended, for the time at least, the two articles which were made in favor of France.

Mr. President, this leads us to the next and most important step in our history in connection with foreign affairs. In 1793 France and England were involved in war. France was at war with nearly all the nations of Europe. She had beheaded her king; she had proclaimed war against despots and tyrants in any form. The sympathy of the American people generally went with France. But the question came up before the Cabinet of George Washington, what should be done? Should they involve this little nation of ours, in its infancy, without troops, without arms, without vessels or means of warfare, in the Maelstrom of European politics? Should they take sides with France against England? It appeared at once that if we observed faithfully

articles seventeen and twenty-two of our treaty of commerce with France, we took sides with France, and of course involved ourselves in a war with England; we became a party to the war; and the question then arose in the Cabinet of Washington whether the war which was then raging in Europe was one of those wars that were provided for by the treaty of commerce; whether the occasion for the clauses of guarantee in the treaty of alliance had arisen, and whether we were bound to guarantee to France her West India islands; whether we were bound to let French privateers and vessels of war come into our ports to re-man, to arm, and to equip, and thus make war against England and all the other nations of Europe.

This question came before the Cabinet of Washington. It was a question of life or death. If General Washington had decided the questions as the French desired him to do, our commerce would have been swept from the ocean; we should have at once been involved in a war with Great Britain. With her enormous naval power, developed soon after in the controversy, she might have seized all our ports, and closed our country as a sealed book. She could easily have done it. Under the circumstances which surrounded him, General Washington addressed certain inquiries to the members of his Cabinet, and I have them here, but I will not take time to read them. Senators who desire to look at them may find them in Sparks's "Life of Washington." Various inquiries were submitted by General Washington to the members of his Cabinet, and the very mode in which the inquiries are put shows the anxiety of Washington, the critical state of our affairs; and these questions are given in full, together with the elaborate answers of the members of the Cabinet. The result was that the members of the Cabinet differed somewhat on minor matters; but upon the main point, that it was the duty and the right of the United States to maintain neutrality between Great Britain and France, they were all agreed.

Mr. President; upon the opinion of his Cabinet General Washington issued the proclamation of neutrality. What was that? The language is simple and brief. It simply declared that in the condition of affairs then existing in Europe, in the state of war between France and the powers of Europe, the United States would remain in a state of honorable neutrality, treating all the contestants by the same rules and principles, and observing with sincerity and good faith a friendly and impartial conduct toward all the belligerents. That was the proclamation of neutrality. Now, sir, what followed? The proclamation was communicated to both Houses of Congress. According to the forms that then existed, the Senate by a formal address approved it, and endorsed and approved the conduct of Washington in issuing it. The House of Representatives, with equal strength, also approved and endorsed the proclamation, and it was at once adopted by all the people of the United States as the policy of the Government. Jefferson was then Secretary of State, and Hamilton was Secretary of the Treasury. The incipient divisions which soon followed in our own political contests had already appeared; but all citizens and all parties felt that it was the right of the United States to maintain neutrality; that the law of necessity, if nothing else, justified it; and, however much they were

divided in sympathy in the controversy between France and Great Britain, they felt that neutrality was the safety of the United States, and it was adopted.

The policy was not only adopted with the assent of the two Houses of Congress, but it was sanctioned by the judiciary. This particular proclamation of neutrality and the acts subsequent thereto were brought before the Supreme Court of the United States in a case to be found in 7 Cranch. The Supreme Court, Chief Justice Marshall delivering the opinion, stated that the action of General Washington, thus approved by Congress, and supplemented as it was afterward by an act of Congress, was the established policy of the country, and, whether it violated the treaty or not, it was the law of the land so far as the people of the United States were concerned; that Congress was the political power of the country, and had to make the laws to govern the conduct of the people of the United States, and it was for Congress, the political power, to judge whether or not this policy was consistent with the French treaty, and the people of the United States were bound to obey the decision.

Now, mark it, not only was this a policy adopted by every branch of the Government, but it was concurred in by the very claimants themselves. It was for their interest. There was not one single person whose heirs or descendants or representatives petition here, but demanded this policy of neutrality; not one of them but was interested in it. Without this policy of neutrality there would have been no ships to be captured, no vessels to be retained. Our ships and vessels would have been swept from the ocean as with the besom of destruction. It was a policy in which the East was especially interested. The very States from whence these claims come demanded it by universal voice. It was the policy of the country, the policy of safety. It was absolutely necessary to our national existence, and there was no man to question it. But now, after these men are in their graves, after a period of seventy-two years, we are told on the floor of the Senate, by the most eminent members of the Senate, that the conduct of the United States violated the treaty with France, and the alleged violation is made the basis of an application to us to pay for all the depredations committed by France on our commerce.

Now, sir, the legal effect, according to the decision of the Supreme Court, was that if this proclamation of neutrality was inconsistent with the seventeenth and twenty-second articles of the treaty to which I have referred, so far as the citizens of the United States were concerned it superseded those sections, and it made no difference in this controversy whether we acted in violation of the treaty or not.

I do not intend to stop here, but I shall show that France herself recognized this view of the matter, and that France, before we had violated the treaty, as she claimed, by the proclamation of neutrality, had violated other clauses of the treaty which were made in our favor. I had prepared quite a number of lengthy extracts from the correspondence between Genet and Jefferson to show that the French minister did not object to the policy that was adopted by the American Government; on the contrary, he acceded to it; but I find here, furnished to

my hand in the report of the Senator from Massachusetts, a declaration that even before this proclamation was issued France had herself violated the treaty, and had treated it as so much waste paper. He says :

But before the proclamation reached France, orders, in direct repugnance to the treaties with the United States, were issued there for the capture and forfeiture of enemies' goods on board neutral vessels; whereas it had been stipulated that free ships should make free goods, so that even if the denial of the "guarantee" was wrong, and the proclamation, according to French accusation, was "insidious," the United States were not the first to offend.

I could fortify this general declaration by innumerable documents showing that the French themselves disregarded the treaty as entirely inapplicable to the then existing state of affairs; that they in effect sustained the position taken by Washington, that the treaties of commerce and of alliance related only to defensive warfare on the part of France, and could not be held to apply to a state of revolution, where everything was changed, where the Government had killed the king who made the treaty with us; that the provisions of old treaties here quoted did not apply to that condition of affairs. Washington held that the state of affairs which then existed in Europe was not a defensive warfare in any sense of the word, or within the meaning of the treaty.

But, sir, whether that be so or not, it is admitted on all hands that France violated the treaty, that France refused to allow us the commercial advantages which were stipulated for in the treaty of 1778, and that too before Washington had issued his proclamation of neutrality; in other words, that France had disregarded two of the articles of the treaty, and she complained that Washington by his proclamation of neutrality had also disregarded two of those articles, both nations disregarding these treaties as incompatible and inconsistent with the new state of affairs that had sprung up on the map of Europe.

And so Jay's treaty, to which I need scarcely refer, expressly violated the French treaty. It was admitted on all hands that it was inconsistent with the French treaty. Why, sir, the eighteenth article of this treaty was entirely inconsistent with the French treaty. It prescribed an entirely different rule of law as to what should be contraband of war. Under Jay's treaty the articles named as contraband of war conformed to the law of nations. Under our treaty with France the list of articles named as contraband of war was much more liberal, and much more favorable to the United States. It was utterly impossible to carry on an intercourse with France and Great Britain with treaties so utterly inconsistent with each other. This shows that Jay's treaty was based on the idea that the stipulations upon which these claims are now based were regarded both by France and the United States, and especially by the United States, as practically abrogated and done away with.

But if there ever was any doubt about the matter, it was entirely removed by an act of Congress, which in so many words said that these treaties had been abrogated, and declared them to be of no force and effect. That law of Congress was passed in 1798, two years before the treaty of 1800 was made. I will read the operative words of that law. On the 7th of July, 1798, the following act passed Congress :

Whereas the treaties concluded between the United States and France have been repeatedly violated on the part of the French Government, and the just claims of the United States for reparation of the injuries so committed have been refused, and their attempts to negotiate an amicable adjustment of all complaints between the two nations have been repelled with indignity; and whereas under the authority of the French Government there is yet pursued against the United States a system of predatory violence, infracting the said treaties, and hostile to the rights of a free and independent nation:

*Be it enacted, etc.,* That the United States are of right freed and exonerated from the stipulations of the treaties and of the consular convention heretofore concluded between the United States and France; and that the same shall not henceforth be regarded as legally obligatory on the Government or citizens of the United States.

This act made a law for our citizens, whatever it did for France—a law by which our citizens were bound. The treaties and the stipulations therein upon which the pretensions of France were based were set aside, not by the proclamation of neutrality merely, but by a direct act of Congress; so that the treaties were not in force at all when the negotiation of 1800 occurred.

But all this time the French Government in its warfare with Great Britain was issuing its edicts and orders under which all these depredations were committed upon our commerce. They disregarded the treaties. They treated them as superseded by events, and, driven probably by the necessities of their position, they seized our vessels destined for English ports, took them to France, held many in embargo in violation of the treaty, destroyed some, used the provisions that were intended for her enemy to support her own people, and not only violated the treaty, but violated the rules of international law. She so conducted herself as to excite against her the strong antipathy of the American people, and nearly to wear out all that kindly affection which had existed between France and the United States.

Now, sir, what was the duty of the United States under these circumstances? We had set aside the treaties by our solemn acts, so far as we could do so. Our citizens were bound by the acts of our Government. When our citizens were thus deprived of property, what did the United States do? Were our ancestors quiet and supine? Did they allow these depredations to proceed without expressing their resentment? Not at all. First, there was negotiation from 1793 to 1798, continued day after day—expostulation. We finally sent to France three of the most eminent citizens of the United States, at the head of whom was Ellsworth, the Chief Justice of the United States. How were they treated? They were scoffed at, refused admission—told that if they would bribe this man or that they might possibly get some kind of redress. The famous correspondence of “X. Y. Z.,” which disgraced the French people at the time, was published. The people of the United States were indignant; but still, remembering the old feelings between France and the United States, they did not declare war, but continued negotiation. Depredations were still committed, and we prepared for war.

We issued letters of marque and reprisal. We authorized the seizure of French vessels. Vessels were seized upon the ocean; blood was shed, battles were fought, vessels were captured, and war was

waged, in behalf of these claims. Although our country was then substantially without means of offense, depending upon no vessels of war except those she could improvise out of her merchant marine; although we were then poor, in debt, with only four million people scattered along a coast two or three thousand miles long, yet, in behalf of these very claimants, we did go to the very verge of war, if we did not cross the boundary and wage war against France. No, sir; the Government and the people of the United States were never indifferent to the losses suffered by these claimants. We went to the very extreme.

All that we did not do was to depart from the policy of neutrality and involve ourselves in the events then shaking Europe to its very center. But everything short of that we did in behalf of these claimants; yea, we spent millions upon millions of dollars. We called Washington from his retirement; we mustered Alexander Hamilton, substantially, at the head of our armies; we engaged in the building of vessels; we did all that a nation could do. We were not unmindful of the obligations that rested upon us to defend the rights of our citizens. What more could we do?

And yet this claim is now presented here upon the ground formerly taken by the French. Washington and all his contemporaries are arraigned here for using the private property of these claimants to buy off the old treaties which we had twice repudiated and declared by acts of Congress not to be operative on us, and which France had disregarded. Why, sir, by this bill Washington and Adams and Jefferson are charged with appropriating the property of citizens of the United States to quiet an antiquated claim which they had rejected in every possible form of language, and which they never during the negotiations of 1800 recognized as having any binding force or obligation upon the United States—one the President when the treaty of 1800 was negotiated, another President when the treaty was ratified—and the claimants say that the Government of the United States has refused for seventy-two years to pay for the private property thus used. Sir, I thank God that I can say, after a full examination of all these documents, that there is no ground for the claim to stand upon. The United States pressed the claim by negotiation, by all the power that we were enabled to wield. There is no ground whatever to say that the Government of the United States in its early foundation was not true and faithful to its obligations to its citizens.

Now, Mr. President, let us examine for a moment the question, what is our obligation to our citizens in regard to war? I do not know that it is necessary for me to cite authority upon this point, because it seems to be conceded that we are not bound to stake the salvation of our country in the support of the claims of our citizens; but I have here a number of quotations from many eminent men to show that it is not the duty of the Government of the United States ever to press a claim of private citizens against foreign countries to an extent that would even damage the commercial interests of the people. That is the law of nations.

We are bound, according to the Constitution of the United States,

when we take the property of our people, to give them compensation; but when our citizens engage in commercial ventures with foreign nations, when they leave our own land and go among foreign nations, what are we bound to do for their protection? We are bound to see to them, to care for them, to look after them, to do what we can to protect them, to encourage them. We are not bound by any obligation of law or of duty to step forward as insurers against the loss, the capture, or the detention of their vessels. It is laid down by Chancellor Bibb, of Kentucky, speaking with great eloquence of what had been done by the United States in behalf of these very claimants, that no nation ought to follow its adventurous citizens in their commercial speculations to such an extent as to involve the nation in war or controversy. The United States have always gone further in this direction than any other nation. We protected an unnaturalized foreigner, who had taken the first oath of allegiance, against the power of Austria. Great Britain and the United States have carried the duty of enforcing the rights of their citizens against foreign nations further than any other nations. But we never carried this further than we did in behalf of these claimants.

When these detentions occurred, when these captures were made, we were not only remonstrating, begging, beseeching, sending our eminent men on fruitless visits to Paris, but we were waging war, capturing privateers, making reprisals, doing all acts that were necessary to enforce the rights of our citizens. When all these efforts had failed, at last, in 1800, we were compelled to abandon the negotiation; and now, after seventy-two years, we are required to review the conduct of the eminent men who formed part of the history of the times, we are called upon to review the propriety of the proclamation of neutrality, called upon to ignore and reverse the law of 1798, and take the French side of this controversy, in order to make a claim which our people have disregarded for seventy-two years.

This brings me, sir, to the treaty of 1800; and I think, if I am fortunate in conveying my own impressions, I can show that all that occurred in that treaty was entirely consistent with the position I take here—that there was no single act or declaration implying an assumption of these claims. Now let us look at it. The Senator from Massachusetts has stated very clearly the position taken by the French. I take his own language, because I prefer to come as near as we can to this point of the controversy. He says that when our ministers met those of the French in 1800, they were met by an ultimatum. France was then much exhilarated by victory. It was at the very time or on the eve of the battle of Marengo. Napoleon was about to pass off to his magnificent conquests and great victories. I think it was during his absence, when the French were naturally elated with the progress of events, that this treaty was negotiated, and our ministers were met by this ultimatum, as stated by the Senator from Massachusetts, and as also shown by the official documents I have before me.

And this communication concluded with a formal proposition in these words: "Either the ancient treaties, with the privileges resulting from priority and the stipulation of reciprocal indemnities, or a new treaty without indemnity."

Mark it, Mr. President, the French submitted to us either of these things: "If you will make over with us the treaties of 1778, with all the stipulations contained in them, and being made now with a recognition that this is the kind of war that is recited in the treaties, we will pay your indemnities." That is, "If you will acknowledge that you have been wrong in all this controversy, and that we were right in making reprisals, we will refund the value of these reprisals and restore the ancient treaties." And the alternative was "a new treaty without indemnity." What was the result of the negotiation? We accepted the latter proposition. That is all there was of it. They would not pay one dollar of these indemnities. The minister who negotiated this treaty said he would resign first, and he treated it with indignity when we proposed indemnities without a renewal of the treaties. I had the language among the papers, but I can not now turn to it without occupying time. He said he would never regard the indemnities, would not pay them.

Various propositions were made back and forth. It is said that we offered them something like two or three million francs (\$600,000) for their pretended claim under the old treaties. Suppose we did, had we not the right to buy peace on these terms without making ourselves responsible for all the depredations committed by the French? Suppose we offered them ten millions to release us from these old treaties, would that make any difference? They refused our offer of three million francs. They made various offers to us. They were finally rejected, and the treaty of 1800 was made. In the second article they postponed the consideration of the indemnities claimed by the French under the old treaties, and the indemnities claimed by our citizens, thus showing a purpose to do what the French proposed in their ultimatum—abandon the old controversies and commence anew. In that spirit they adopted the second article of the treaty, which I will now read, and I will show to the Senate that it is entirely consistent with my view of the case; and yet it is upon the striking out of this article that this whole claim rests:

ART. II. The ministers plenipotentiary of the two parties not being able to agree at present respecting the treaty of alliance of February 6, 1778, the treaty of amity and commerce of the same date, and the convention of 14th of November, 1788, nor upon the indemnities mutually due or claimed, the parties will negotiate further on these subjects at a convenient time; and until they may have agreed upon these points, the said treaties and convention shall have no operation, and the relations of the two countries shall be regulated as follows.

In other words, they abandoned the whole theory of claims on both sides. Now, unless we were bound to prosecute our claims in favor of our citizens to the final ultimatum between all nations, to a general and universal war, we had gone to the tether, to the extent of our liability.

Now, the question is, can we abandon such claims short of actual war? for that this was an abandonment is shown by the plain language. It was a diplomatic way of doing it; and, as I will show presently, the Senate preferred a more direct way; but it was a diplomatic way of abandoning all these claims on grounds of public policy, not on the ground of an assumption or a contract, but simply from an inability to



get France to pay them short of our recognizing a state of facts that would be utter destruction to the National Government.

It is alleged that, because our Government pressed these claims of private citizens almost, if not quite, up to the point of war, it assumed the justice of the claims; that in the treaty of 1800 it offset them against claims that France had on this Government; and that thereby it laid itself under obligation to meet the claims of these citizens. But there was nothing like an offset. France could not convince us that we were wrong except by conquering us; and we never would have restored the obligations of the old treaties except at the end of a general war. We pressed our claims against France to actual seizure and capture, but we could not convince her that she ought to pay, and therefore we abandoned the claims of our citizens.

The question whether the acts of the Government of the United States amounted to war or not, is one of the great questions debated in this controversy; but it is not the turning-point of the controversy in my judgment. These claims were discharged by war, but I do not put the case on that ground, because I am discussing it in another view. I think it was war. If it was not war, I do not know what it was. In the capture of their vessels, I am inclined to think there was a state of war as defined by the law of nations. That is a question which has been much debated. Mr. Webster and Mr. Wright had one of the most interesting debates on that subject that are probably to be found in our Congressional history. Mr. Wright insisted—the whole weight of his argument in the debate of 1835 was—that war, actual, decisive war, extinguished these claims, and therefore that there was nothing to negotiate about. Mr. Webster, on the other hand, insisted that these were only acts of peace consistent with a state of peace; and they had a very learned discussion as to what was war and what peace. Mr. Wright would describe some of the acts of war, and would ask Mr. Webster, “Is this peace?” Mr. Webster would describe some of the acts of negotiation, eating dinners, friendly exchange of compliments between the French and American ministers, and would ask, “Is this war?” Upon an arena in which men like Wright and Webster debated, in which they had a difference of opinion, I do not think it becomes any of us to express any very decided opinion about it, and I do not think it material at all to the controversy. I have avoided the discussion of that point because it would lead me into a long argument as to the state of facts and as to the various acts of deprecation, capture, seizure, etc., that were committed by both Governments.

Now, Mr. President, I find on reference to what Mr. Chancellor Bibb says in regard to the obligations of the United States just the condition of affairs we found France in in 1800:

But for damages caused by a foreign power no right accrues to the citizen to demand and have compensation from his own Government. In such case the sovereign ought to interpose, as far as the situation of affairs and the common interests and safety will permit, to aid the citizen in demanding and receiving satisfaction from such foreign power. The Government ought to show an equitable regard for such suffering of the citizen; but the extent to which that regard shall be indulged is a question of sound policy, to be judged by the State. The right of the citizen in this behalf belongs to the class of imperfect obligations.

Then he goes on :

When we consider the conduct of the Government from 1793 down to the ratification of the treaty of 1800—the condition of the United States (not then recovered from the exhaustion of the Revolution), the assiduity and good faith with which these claims were pressed upon the consideration of the French Government, the want of success, the cause of that *quasi* war, the great expenditures of the Government, the dangers of being drawn into the vortex of the European war as a belligerent, the great losses to flow to the community from persisting, and the prospect thus presented to the view of that generation—we may well conclude that the Government would have been well justified in abandoning these claims for the purpose of extricating the community from a perilous condition.

It can not be admitted that the Government is bound to be the insurer of the commercial adventures of its citizens against the acts of foreign governments; that private claims upon foreign powers must be pursued by war *ad internecionem reipublicæ*, or the citizen be compensated out of the public treasury at home, if the foreign aggressor can not be compelled to make retribution. The community is bound to take care that no injury arises to the citizen by the ill conduct of the Government; but the public is not bound for the ill conduct of a foreign power. ("Congressional Debates," vol. ii., part I., page 194.)

That was the view taken by this eminent and distinguished citizen, a Senator from the State of Kentucky, certainly one of the most distinguished men produced by Kentucky, an ornament to the bar and one of the chancellors of that State.

My friend from New Hampshire used a word which I think he copied from the report of the honorable Senator from Massachusetts [Mr. Sumner], the word "set-off." It is a very common transaction. In ordinary dealings between two private citizens they set off their obligations to each other; but the idea of a set-off, in the view that word presents to you, sir, as a lawyer [to Mr. Carpenter, in the chair], never occurred to the men who negotiated the treaty of 1800. There is no allusion to a set-off or a balancing of accounts in that way in all the negotiations. If Senators can show me any such ground upon which either the French or Americans put this controversy, then there is an end. If it was a thing that was boiled down to a few dollars and cents, if that was the only matter between France and the United States, it was a very small basis for a great controversy. There was nothing of the kind. These were claims by the nations, one against the other, neither willing to recede, neither willing to abandon.

We firmly refused to engage again in the treaties of 1778. Every proposition by the French to renew them was declared by our minister utterly inadmissible. In 1800, in one of the communications where a reference was made to them, it was said on the part of the Government of the United States by its commissioners, "Those treaties are not operative; every branch of our Government has put a different construction on them, and we are bound by that. We can not introduce them again into the law of nations between France and the United States; they are utterly inadmissible," to use their own language. On the other hand, when we presented our claims to the French, the French minister met them and said he would resign his office rather than pay them; he would never pay them. The language was strong. Finally our minister wrote home that it was utterly idle to present these claims,

that their commercial value was nothing; they could not be enforced. The only question was whether—putting their backs to the past, burying in the grave all the controversies that existed between them, not setting them off like a barter and a trade between two sharp traders—two great nations, neither willing to yield to the other, would bury in silence all controversies, not only between the two nations, but between their citizens, and make a new treaty of peace. This was done. They called it a treaty of peace. Whether there had been war before or not is a debatable question. They called the treaty of 1800 a treaty of peace, and they made it, simply abandoning and turning their backs on the old controversies.

So every treaty of peace that is made between nations discharges some liability; one nation or the other must surrender something, and usually both. And this was a treaty of peace; all the old controversies were buried in the grave. Whether the second article was in or out made no difference. The United States were discharged from all obligations under the treaties of 1778. There was no guarantee clause; there was no definition of contraband of war; there was no free port for privateers; and it was a treaty founded on the general principles of Jay's treaty. It took immediate effect. The question came before the Senate of the United States, and I now appeal to Senators on it. Suppose we had that treaty here, and were acting upon that treaty, and found in it article two, an indefinite promise some time in the distant future to open up a new controversy with France by which claims, rejected by both and negotiated about so long, were continued over, what would we do? All the interest we had in retaining that second article was the right to enforce the private claims of our citizens for depredations; but we knew that the right was contested by France, and never would be yielded unless connected with a stipulation to renew the old treaties of 1778.

My honorable friend from Pennsylvania, in his very excellent speech yesterday, spoke about France recognizing these claims. Why, sir, France never recognized these claims except in connection with the renewal of the treaties; she always put the two together from the beginning to the end. The very first time Mr. Monroe presented them to the French Government, the French replied, "No; you violated your treaty; these were acts of reprisal." They ordered in some cases, and actually passed an ordinance for, the payment of the value of private property taken from American citizens, where it was food and clothing and the like.

Besides, in this treaty of 1800 there are provisions made for a large amount of American claims. But for that treaty these claims would have gone into the general wreck. There were vessels then in the ports of France, and others not condemned; there were provisions and supplies to the amount of twenty million francs then in those ports. By the making of the treaty of 1800 these were all released, and those actually applied to the use of France were paid for; and the treaty of 1803 made provision by which twenty million francs were set aside to pay these identical claims. We reserved from the purchase money of Louisiana twenty million francs or \$4,000,000 to pay these claims, and

we paid them. In the treaty of 1800 we secured our private citizens this important advantage.

I am aware that in the present bill we have reserved from the appropriation all claims which were paid by the treaty referred to. It is not in that view that I allude to it. I am merely showing that the treaty of 1800 was an advantageous treaty to us; that, while we could not get all we wanted, we not only relieved ourselves from the guarantees, but we also stipulated for the payment practically of twenty million francs to our own citizens; and more—not only did we get twenty million francs in money, but all the vessels which were then in the ports of France belonging to American citizens were discharged, and the amount of benefit to our commerce, and to the men to whom they belonged, was more than ten million dollars in the value of their vessels and the amount they subsequently recovered where the property had been used by the French Government or by French citizens.

When the treaty of 1800 came before the Senate of the United States, what was the view taken of it? We can not tell. The debates were in secret. I am sorry they were. I believe, if the debates on that treaty were now known to the world, this claim would be forever barred. What was the reason for striking out the second article? Here the alleged assumption comes in. It is admitted on all hands that by the treaty as it stood there was no assumption, no set-off, no contract, no bargain, no partnership. By the treaty as it was framed there is no pretense that these claims were applied to public use. I wish Senators on all sides to understand that. If there was any set-off, or contract, or barter, it was made in this Senate chamber; because, by the treaty as it stood, the second article expressly reserved all the claims on both sides, whether for violations of the treaties, or for seizures, captures, or claims by the citizens or subjects of either party. They were reserved, so that under the treaty as it stood there was no pretense of a foundation for this claim.

Now, was it made in the Senate? Is it to be presumed that the men who then composed the Senate of the United States would, without hearing these claims, without discussing the matter, without knowing what they did, make a contract in the nature of an *assumpsit*? I have always thought that these commercial words, these terms which apply only to contracts made between citizens or contracts made between States, ought not to be applied to the action of a Government when dealing according to the public exigencies. Did the Senate, when it struck out the second article, make a contract or a set-off? There is scarcely any pretension of that kind. Where is the evidence of it? None is produced.

What was the effect of striking out that second article? It was this, and no more: The Senate had been informed in this official communication that it was utterly idle to press the claims for indemnity, unless connected with the idea of restoring the old treaties. They knew that the second article only postponed to the future the controversy. It was not at all likely that France would be more willing in the future than in the past to pay these moneys. They knew that this stipulation in favor of indemnities was of no value to our citizens; it

was no burden to us. We had accomplished our purpose already by the treaty, whether the section was in or out. We had got rid of the old treaties; the new treaty superseded them. If the second article was in, it superseded them just as well as if it was out.

What motive, then, could induce the Senate of the United States to strike out the second article? What motive had we to apply private property to public use? Why should we then, when the private property of our citizens was protected and referred to a future negotiation, appropriate it for what we had already got? Did we strike out that article in order to get a release from the French treaties? We had already got it; it was in the treaty. What was the consideration for which we assumed these claims? I submit to you, if we have got to talk in commercial language, in the language of lawyers or dealers, what consideration was there that moved the United States to assume an obligation unless it also got some benefit on behalf of the nation? It is said that we got a release from the guarantee, but we had that already practically. The treaty itself in all its terms was a release from it; and unless the postponement of this controversy to some indefinite future was a burden that the Senate were anxious to get rid of, there was no consideration.

Sir, the only motive for striking out that second article in the Senate was a desire to end, once for all, the controversies between France and the United States, to start anew on the field of friendship and amity, to open again the kind affections and warm feelings of gratitude which still lingered in the hearts of the American people when the name of France was mentioned. Sir, the act of the Senate was an act worthy of the Senate. It was an abandonment of all these old controversies, in the hope that the new treaty of peace which had been made between our honored envoys and the Government of France would start anew the old feelings of friendship. The idea of making this action of the Senate a contract or set-off is a misnomer of terms.

This is the only basis, the only stand on which this old claim of seventy-two years rests. It rests upon the assumption that the Senate, by striking out the second article, appropriated the property of private persons to public use. Where was the exigency? Where is the declaration of any man who lived at the time that this was done? I know my honorable friend from Massachusetts has quoted quite a number of remarks—one made by Mr. Madison in his negotiation with Spain; one made by Mr. Pinckney, who gave his opinion that we ought to pay; one made by Mr. Clay, who thought there was a kind of equity in paying the claims. These words are from the second generation of men, and the remark made by Mr. Madison was the only one that has any bearing on it, the only one that squints that way.

But suppose Mr. Madison did say what is quoted; and no doubt he did. Why was it that Mr. Madison while he was President of the United States for eight years, and afterward, did not give his potential voice in favor of these claims when they might have been paid, and within the recollection of the men who knew all about them? If, according to Pinckney and Madison, these claims were just, or some equitable consideration had arisen from the striking out of the second

article, why were not the claims paid? And yet, as I will show in a moment, they slept during the whole lives of the men who participated in this controversy.

Mr. President, I am sorry that I have detained the Senate so long, but I saw no other Senator disposed to enter into this debate after a long controversy, and I thought I would present my views; and I have presented them much more fully than I intended when I rose.

I have not overlooked the foot-note of Napoleon, but I do not think his declaration in ratifying the treaty and the history of its ratification change at all the effect of the previous act. The act of the Senate I have already mentioned. The treaty was sent with the second article stricken out, leaving the old treaties suspended for eight years, of no force, no validity; the guarantee clause suspended, all the clauses that we complained of as inconsistent with Jay's treaty modified or stricken out. Then Napoleon, in approving this change, adds these words: "That by this retrenchment the two States renounce the respective pretensions which are the object of the said article." What is this? What is the meaning of the word "renounce"? What is the meaning of the word "pretensions"? In what respect does this language differ from the legal effect of the action of the Senate already? It was simply, "We will abandon those claims; we will no longer press them upon each other; we renounce the several pretensions." The French renounced the pretension that the old treaties were in force against us to hamper us for all time to come, and we renounced the pretension that their seizures were in violation of international law. We abandoned all these controversies. That is the construction I put upon it, and it seemed to me so obvious a one that I was passing it by without notice.

I think that the words bear the construction I have given, and are perfectly consistent with the construction I have already put upon the action of the Senate. Whether this foot-note of Napoleon—because it is not published as a part of the treaty, it is published in the correspondence—changed the treaty or modified our action in striking out the second article, I leave to the honorable Senator [Mr. Frelinghuysen] to discuss. Admit it, in what respect does this differ from the action of the Senate already? Simply an abandonment by both parties of any future negotiation involving a controversy upon which they could not agree.

They renounced the prosecution of these claims, that is all. We had over and over again insisted on the justice of the claims; the French over and over again had insisted that they were not just, that their acts were acts of reprisal for our violations of treaties; and the pretensions of these two nations—that is, the claims, the construction, the acts of the two nations in construing the treaty, the several claims, pretensions, or whatever you please to call them—should be abandoned, renounced, no longer prosecuted, no longer pressed. We could not change the idea of the French that we had done them injustice. We did not ask the French to abandon their opinion, nor did they ask us to abandon ours.

Mr. President, I come now very briefly to consider another point. If this claim rested upon a clear legal right, why was it not pressed

upon the generation of men who knew all about it? You will find at the end of the report of the Senator from Massachusetts the whole history of this controversy. There was no action that had any bearing upon it until 1818. The petitions that were presented April 22, 1802, and February 8, 1807, had no bearing on the controversy. The first time the subject was presented to the Senate of the United States was in 1818. The Committee on Foreign Relations was then composed of the following eminent Senators: Macon, of North Carolina; Barbour, of Virginia; King, of New York; Laycock, of Pennsylvania; Daggett, of Connecticut; all of them men whose names are still remembered.

Although the reputation gained in political life as a matter of course is very transient, yet every one will remember the names of these eminent men. They gave the subject a patient investigation, and here I have their report, and that report, although compared with the voluminous documents that have appeared in regard to French spoliations since it is very small, is a clear and fair statement of the whole case, decidedly adverse to the claim, and they put it upon the ground upon which I rest my opinion, that the action of the Senate and the action of Napoleon in qualifying the ratification of the Senate did not create a liability either in law or equity on the part of the United States to pay these claims. I will not take time to read the report.

The next time the question came before Congress was January 31, 1822, when another report, made by the Committee on Foreign Relations of the Senate, upon this class of claims, was again adverse on the very same ground, and on other grounds, that the act of the Government of the United States in striking out the second article of the treaty of 1800, and the attending circumstances in regard to Napoleon, did not create any liability on the part of the United States. No one then set up the idea of a set-off or *assumpsit*; no one then set up the idea of a contract, or attempted to assimilate this matter to a contract between individuals, but they denied the claim on the broad principle that this act of the Government of the United States did not create any obligation in equity or right on us to assume it.

The first time the bill passed the Senate of the United States was in 1835. I have the debate before me. Then, for the first time, it passed by a close vote of 30 to 25. What were the circumstances of the country at that time? All the claims from the ante-revolutionary period were raked up; the Treasury was overflowing; Congress was engaged in all kinds of legislation to deplete an overflowing Treasury. They actually passed bills for the distribution of money among the States. The public debt had been paid off. Every claim that had a shadow of equity was brought up, and among the rest this French spoliation claim, nurtured for thirty-five years. The advertisement I have read you shows that the agency established in Washington commenced its operations in 1822. By 1835 they had created a kind of opinion in favor of the claims, and in 1835 they were discussed. Then the celebrated report of Mr. Clay, made in 1826, containing all the documentary information, was before the Senate. I would be perfectly willing to take that debate of 1835, in which some of the most eminent men of this country participated, and allow every man to pass

a dispassionate judgment upon it. There was Webster, with his great intellect, throwing his whole weight in favor of the claims, reporting them, advocating them strongly and ably. He was supported by Preston and others. On the other hand there were Wright and Benton, Bibb, and Hill of New Hampshire, and other eminent men who took ground against them.

I have read the debate carefully, and I do believe that, but for the fact, so often commented upon, that there was money in the Treasury and the time had arrived when all claims should be paid, the bill would not have passed the Senate; but it did. It passed the Senate by a vote of 30 to 25. It went to the House of Representatives, but the House refused to pass it. It was continued along until, I think, in 1847 it finally got through the House. Having first passed the Senate, the Senate voted for it again rather as a matter of course; and it was twice vetoed, and for seventy years has been here before Congress.

It is said that there are some thirty or forty reports in favor of it. Why, sir, how incorrect that is! The way the reports came to be in favor of this bill was that some Senator who thought his constituents were interested would move a select committee, to whom it would be referred. A majority of the committee had to be in favor of it. That was the rule of parliamentary law. Most of the reports in the first instance were made by such committees. And so, year after year, from 1829 down to 1861, a majority of, and nearly all, the reports were made by select committees of one or the other House, packed, as I may say—and I say it in no offensive sense—packed by parliamentary law in favor of the claims.

At one time, in connection with the report of the majority, there was a strong statement by the minority, made by Mr. Cambreleng. I do not give any weight to these reports; I do not see that they have any weight on either side; but when it is said that this claim has been passed by committee after committee, I reply that they have not received at any time the sanction of law, the sanction of any authority made by law in regard to the public Treasury, and I hope to God they never will.

The Senator from Massachusetts opens his beautiful report by saying that this claim will never die. I believe it never will die. It is supported by the interest of corporations; and I say now that much the larger portion of the benefit to be derived from this bill is to go to insurance companies, who are immortal. They are corporations that never die. But for the fact that the great mass, not of the petitioners, because this advertisement shows you how these petitions are brought here, but the great mass in amount of the claims are by insurance companies, these corporations that never die, they would have died out by inanition. The men who originally presented the claims, their children, and their grandchildren have been swept away; and now, if you pass this five-million bill, to whom will the money go? How will those men and the children of those men who suffered by the depredations of the French furnish the proof? Where are the records that enable them to preserve the truth? The family is scattered or dead; the papers gone. How many papers of seventy years ago now exist? But in the records of these



corporations, in their pigeon-holes and boxes, stored away safely for future time, with their agent here in Washington, the claims are kept alive.

I say this is an argument to show that this claim, if it is placed on the ground of equity, is not one that the Senate ought to regard. What is the condition of an insurer? An insurer takes the risk. He is paid for taking the risk. It is shown here by these documents that insurance ranged at that time from twenty-five to fifty per cent. ; so that if one vessel was lost out of three it was still a profitable venture. It is also shown by these papers that at that time the largest profits were made by American commerce that have ever been made in the history of our country. These insurance companies that set up these claims have been paid for their risk. They have made money. Some of the largest fortunes in this country were founded on the operations of insurance prior to 1800.

Not only that, sir; many of the persons interested in these insurance companies were Englishmen. The stock was mainly owned by Englishmen. Englishmen sought to protect their ventures under our flag, and the French complained that while the American flag was raised over the vessel it was the property of Englishmen, commanded by Englishmen, and manned by Englishmen, and Englishmen were their enemies who were seeking to starve them to death. That was the argument of the French. And now we are called upon after seventy-two years to pay to the subjects of one of these belligerents the investments they made under our flag for injuries done by another of the belligerents. That is precisely the condition in which we are placed.

The claim of insurance companies does not stand upon so equitable a ground as would the claim of an individual. Mr. Webster admits that the body of these claims is owned by insurance companies. Mr. Millson, in a very able speech made in 1855, states the same fact at great length, and gives the reasons why the insurance companies owned these claims. Mr. Webster insists that the insurers are subrogated to the rights of the insured, and by law are entitled to press the claims. I do not know about it. I do not know whether the law of subrogation applies to claims that can not be enforced in the courts. Mr. Webster says it does. Perhaps he is correct. But, sir, I say if we are called upon on the ground of equity to pay this money, to satisfy a kind of equitable demand, I present this fact, that the money will go to insurance companies who are still in existence, most of whose stock was then owned by British merchants. The facts are fully developed in these papers. That is another reason why we should be reluctant to pass the claim merely on an equitable ground.

But there is another objection on the face of this bill. Who are to receive this money? What is the character of the obligation?

Claims to indemnity upon the French Government, arising out of illegal captures, detentions, seizures, condemnations, and confiscations.

Why, sir, how vague is this language; how indefinite! What kind of seizures were they? How can we tell whether a seizure made eighty

years ago was legal or illegal? Where is the evidence? Perhaps some of the seizures were really the seizures of English vessels under the American flag. Perhaps some of them were of vessels for violating maritime law, violating the laws of nations, seeking cover under our flag to violate that law. How can we tell? All seizures, all condemnations, all embargoes will be embraced by this broad, sweeping clause. Who can say that they were illegal? Upon the Government of the United States will depend the proof that they were illegal? These men will show that their cargoes were captured, that they were seized under the American flag. They may bring a case under the French treaty, but it may be that that very property belonged to English subjects, that our flag was used as the mere cover of English property. How can that be found out? All these vague, indefinite matters are sent to a commission without any means to try them except to parcel out this \$5,000,000.

But we are told the amount is limited to \$5,000,000, and we ought not to take any great interest in it; it is not so very large a sum. Five million dollars is not as much as it used to be; but what ground have you to believe that this \$5,000,000 is any limit to this claim? The Senator from Pennsylvania [Mr. Cameron] said yesterday that the amount was twenty millions; the Senator from Massachusetts [Mr. Sumner] says it was fifteen millions seventy-two years ago, and the Senator from Massachusetts quotes law that I can not gainsay that claims of this kind bear interest, and that the real claims of these persons are fifteen millions with interest for seventy-two years. But you say you have limited them to five millions; they must dole that out; they must divide it among themselves. But suppose they find a board of commissioners who report to us that there was due in 1800 \$20,000,000 to these claimants. If one cent was due, it was all due. What right have you to parcel out the justice of the American people by a dividend of twenty-five per cent.? We are not bankrupt.

If we are bound to pay these claims, let us go to the whole extent and pay them all. Evidently this is a mere effort to get this five millions on a controverted question; and if a judgment of twenty millions due in 1800 is rendered against us, how can you resist the payment of the interest and the payment of the balance? Remember the claims made by Massachusetts for interest in the war claims of 1812—and they were finally paid.

But it is said that these people are to give a release. What is the value of the release? Since I have been in Congress I have seen at least twenty bills passed where there were releases on file. Take the Chorpenning claim; in that case there was not only a release, but an actual law prohibiting the receipt of any more. So, although this release is given, the claimants will come back and say it was done under compulsion. The release can be explained away. Even a release under seal is held not to bind a future Congress. How can Congress know about this release? For although this claim be so large and notorious, how can we answer the question, if we pay five millions on this just claim (because we thereby acknowledge its justice)? Why not pay the whole twenty millions, even if we pay it without interest? There is

no limit. As my colleague remarks to me, and I have no doubt he is correct, although I have not examined the official statement, there is no evidence on the files of the Department of State in regard to the amount of the claims, except the *ex parte* evidence of the claimants themselves.

There is one other point that I submit to Senators: whether we can do this with a just regard to the memory of the men who preceded us on this floor, or who managed the Government from its foundation. This bill, in language which it seems to me is offensive, assumes and declares in so many words that all the acts of the United States Government relating to this controversy before 1800 were wrong. I will read it to you. It goes on and provides for this commission. Remember, the United States Government never acknowledged the binding operation of these treaties during the time these claims accrued, and yet this bill declares that these commissioners, when they pay these claims, "shall be governed in their decisions by the principles of justice, the law of nations, and former treaties between the United States and France, to wit, the treaty of amity and commerce of the 6th of February, 1778, the treaty of alliance of the same date, and the consular convention of the 14th of November, 1788."

Here this bill, nearly eighty years after the proclamation of neutrality, reverses and overrules the decision of George Washington and his Cabinet and the whole American people. We now declare that we will pay these claims, recognizing those treaties to be in full force; in other words, that the seventeenth and twenty-second articles of the old treaty, which Washington declared to be inoperative, and the guarantee of the West India islands, which was declared by the whole Government to be applicable only to a state of defensive war, shall be enforced.

I am not willing to legislate in any such view. If this \$5,000,000 is to be distributed among these people, let it be so. But why should we revive these treaties and do what our Government refused to do over and over again? And yet that is what we do. We declare that this money shall be distributed upon the assumption that those treaties were in force in 1800, and for the distribution of this money we revive all those treaties which our Government always refused to do. In other words, this bill is based upon the French idea of our controversy, and not upon the American idea. It is based upon the assumption that we were wrong and that France was right, and that we are required to pay all the claims that grew out of the violation of the articles of a treaty that was declared to be inoperative upon us, not applicable to the condition of affairs; a treaty that was rejected by the executive authority, by the judicial authority, and by express terms of law by the legislative authority. And yet we revive these treaties in order to distribute this money among our citizens.

These claimants have no equity on another ground. This policy of neutrality was adopted at their instance, for their benefit, for their safety, for their protection, and although they lost in many cases, yet the actual profits during that period of our commerce were greater than ever before in American history. Senators may be surprised when I

tell them that our exports and imports had risen from \$31,000,000 in 1793 to \$100,000,000 and over in 1800. During this time of detentions, of seizures, of captures, our commerce had sprung into the greatest activity that it had ever had. Profits and fortunes were made that bear no comparison with those that have been made since. Our trade sprung up threefold in seven years. While these people met with large losses by detentions and seizures both by Great Britain and France, because Great Britain also pursued this unlawful foray upon our commerce, yet our flag was the only neutral flag among the commercial and maritime nations, and our merchants made enormous profits. Our commerce increased threefold, and for the first time we appeared among the nations of the earth with the prospect in the speedy future of becoming one of the great commercial nations. Yes, sir, in seven years our commerce, both external and internal, increased wonderfully; our imports rose from thirty-one to one hundred millions, and our exports in the same ratio. Our farmers were all occupied. The wheat and the grain from America fed the soldiers and the citizens of France. They fed Great Britain. They were exported to all the countries of Europe; and although we did suffer some losses, this among the rest, yet the general condition of our country, its general prosperity, the enormous profits made by these merchants more than compensated them for all their losses. I have no doubt these very claimants would have been glad for more spoliation, more wars between the nations of Europe, in order to give them an increased profit from the neutral carrying trade which they then enjoyed.

Now, Mr. President, there is only one other consideration which I desire to present, and then I will relieve the Senate. The passage of this bill, in opening up antiquated claims, will, I think, have a very serious effect in many other directions. If a claim can be persistently urged for seventy long years, under the adverse circumstances that surrounded this one, and finally be crowned with the success of an appropriation of \$5,000,000, to be distributed in an indefinite way among unknown or dead claimants, how eager will other men be to revive old claims! They are scattered through our whole history. Why do you not redeem the continental money? Your act of 1792 to sustain the public credit reduced that money to the value of one dollar for a hundred. Why do you not pay the children of the revolutionary soldiers, whose fathers fought and bled and died for us and were paid off in continental money at one dollar for a hundred? You promised the officers of the army in the revolutionary war to give them half pay for life; in some cases for five years. Did you ever perform that obligation? Why did you not do it? These were worthy subjects for your consideration, and their descendants still live and flourish among you. It is true that we did the best we could in the agreement with the soldiers and officers of the Revolution. In the general bill establishing the public credit we did give the officers in some cases half pay, compounded with them, compromised with them. I might go through our list and name an immense number of such claims. Sir, the success of this claim of seventy-two years' standing will give encouragement to the revival of a great mass of others.

If these claims are just, we ought not to compound with the claimants at twenty-five cents on the dollar, after keeping them out of their money for seventy-two years. Sir, there is no justice in the claims.

Mr. President, who can tell the effect of the passage of this bill upon the public credit? If we open the door to all the multitude of claims that may arise it will very seriously impair it. We have been pursuing the policy since the close of the war of a gradual reduction of taxes. We have now diminished our taxation until it approaches very near to our expenditures. We can not now revive these old claims and pay them. It is no time to do it. It will affect the public credit.

Mr. President, I believe that this claim has no merit either in law or in equity. I believe that the Government of the United States never appropriated these claims, but did all they could to enforce them. They were abandoned for high and justifiable public reasons, and under circumstances that gave the parties no claim whatever upon the Government. They have already received large benefits and great profits from the policy adopted by the Government. This money is to go mainly to a class of people who have no equitable claim. The whole bill is framed with a view to parcel out \$5,000,000 among a lot of corporations who have kept up this controversy and continued it year after year by an organization in the city of Washington. I think, therefore, the Senate, where the basis of the claim originated, can not do better than at once to disapprove it. I hardly expect that, because I know a kindly usage has sprung up in the Senate, by which, because one Senate thirty or forty years ago passed a bill, therefore this Senate must do it. That has got to be a general idea, and this French spoliation bill has passed the Senate on something like that idea. It passed the Senate in 1835, and therefore it must pass the Senate in 1892, or 1950, and be sent to the House. But I do think after the lapse of time that has occurred we might at least say, "Let this controversy be buried; let these claims be abandoned; they will be no good precedent."

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## REISSUE OF NOTES.

*IN THE SENATE, JANUARY 14, 1873.*

MR. SHERMAN, from the Committee on Finance, submitted the following report.

The Committee on Finance, in obedience to the resolution of the Senate of the 6th instant, as follows: "Resolved, That the Committee on Finance be directed to inquire whether the Secretary of the Treasury has power, under existing law, to issue United States notes in lieu of the forty-four million dollars of notes retired and canceled under the act of April 12, 1866," beg leave to report:

THAT a construction of the act of April 12, 1866, renders necessary the examination of the several acts authorizing legal-tender notes. The power of the Secretary of the Treasury to issue the notes described in the resolution, if it exists, must have been conferred by these acts. The

authority of Congress to authorize their issue has been disputed, but may now be considered as settled by all departments of the Government. It was exercised by Congress only under the most pressing necessity.

As an incident to the powers to borrow money, to coin money, to declare and maintain war, and to provide for the national defense and general welfare, it was first asserted and exercised by Congress February 25, 1862, when to coin the public credit into money seemed the only expedient left to maintain the authority of the Government during a pressing war. This authority was again exercised July 11, 1862, and March 3, 1863. The several acts of these dates declared United States notes to be lawful money, and a legal tender in payment of all debts, public or private, within the United States, except for duties on imports and interest on the public debt; and they were to be issued only if required by the *exigency* of the public service for the payment of the army and navy and other creditors of the Government. The amount of each issue was carefully limited. The aggregate could not exceed \$450,000,000, and in fact never exceeded \$433,160,569. The power thus exercised was felt to be a dangerous one, liable to abuse, and was carefully limited and guarded. Though the war continued two years and more after the passage of the act of March 3, 1863, and immense sums were borrowed upon various forms of security, the limit of United States notes was not enlarged. By the proviso in section 2 of the act of June 30, 1864, under which the national debt was largely increased, it was provided, among other limitations, "nor shall the total amount of United States notes issued, or to be issued, ever exceed \$400,000,000, and such additional sum not exceeding \$50,000,000 as may be temporarily required for the redemption of temporary loan." It is apparent that this provision in a loan act was not only a limitation upon previous acts authorizing United States notes, but was a declaration of public policy and a pledge of the public faith to the national creditors that their securities should not *ever* thereafter be impaired by any increase in legal-tender notes. The United States notes were regarded as a necessary medium or means to borrow money during war, with full knowledge that in due time they were to be redeemed in coin, and that any increase would impair their value and affect the value of all public securities.

The close of the war was followed with measures by both the executive and legislative branches of the Government to limit and reduce the volume of legal-tender notes still further. All forms of temporary loan, including the legal-tender interest-bearing Treasury notes, were funded into bonds. For this purpose a portion of the \$50,000,000 of reserved United States notes under the act of June 30, 1864, was used for the redemption of temporary loan; but these notes were soon redeemed and canceled, with the avowed policy of contracting the currency.

The act of April 12, 1866, referred to in the resolution of the Senate, was passed in approval of and in accordance with the avowed policy of Mr. McCulloch, then Secretary of the Treasury, to retire all short-time liabilities, by funding them into bonds, and to reduce the

volume of United States notes, so that those outstanding should be, from their scarcity, at par with gold. The only limitation made to this power of contraction was by the following proviso :

*Provided*, That of United States notes not more than ten millions of dollars may be retired and canceled within six months from the passage of this act, and thereafter not more than four millions of dollars in any one month.

It is clear that this act authorized the payment, cancellation, and destruction of "all obligations issued under any act of Congress, whether bearing interest or not," and the issue in lieu thereof of any description of bonds authorized by the act of March 3, 1865. The issue of the bonds necessarily involved the destruction and cancellation of the obligations received in exchange for them; for the act declared that it should not be construed to authorize any increase of the public debt. To hold that any of the obligations, "whether bearing interest or not," received by the United States in exchange for its bonds, can be issued again, is utterly inconsistent with the primary object of the act—the funding of the debt—and with the provision that the debt shall not be increased by the exchange. But for the provision limiting the cancellation of United States notes, all of them might have been canceled when received in exchange for bonds.

Subject to this limitation, the act of April 12, 1866, treats United States notes as one of the numerous forms of demand or short-time obligations which it was public policy to fund and retire, with a view to specie payments. The bonds were to be issued solely for the purpose of securing the cancellation and final payment of an equal amount of other indebtedness. United States notes could be issued as a medium of the exchange; but, if so, they were to be used to retire other obligations. To a limited extent they could be canceled and retired, and to that extent their cancellation was as complete a payment and extinguishment as if a compound-interest note was canceled and retired. It was the desire of the Secretary of the Treasury to retire the United States notes or to contract the currency more rapidly than Congress deemed prudent, and the object of the proviso was to limit the contraction, but at the same time to provide for a gradual reduction of the currency, with a view to specie payments.

To construe the act as permitting the reissue of United States notes canceled under it would allow the Secretary to increase the debt in direct violation of the act. To evade the act, he would only have to receive the notes in payment of a bond issued, and then cancel the notes and issue others in their place. In this way both notes and bonds would be outstanding. The plain intent of this act was to reduce and contract the currency. To render this more apparent, we refer briefly to what preceded the passage of the act of the 12th of April, 1866.

In December, 1863, after the passage of the acts authorizing the issue of legal-tender notes, and when the temporary deposits reached \$145,720,000, for meeting which \$50,000,000 of the \$450,000,000 United States notes authorized were to be held as a reserve, Secretary Chase, in his annual report (p. 17), said :

The limit prescribed by law to the issue of United States notes has been reached, and the Secretary thinks it clearly inexpedient to increase the amount.

Speaking of the purpose for which they were issued, he said :

Congress believed that four hundred millions would suffice for these purposes, and therefore limited the issues to that sum.

He also recommended the increase of the limit for temporary deposits, then fixed by act of July 11, 1862, at \$100,000,000, to \$150,000,000, and stated that \$10,000,000 of the \$50,000,000 reserve had been used in its redemption (p. 16). It was after these recommendations that the act of June 30, 1864, was passed (13 Stat., p. 218), which reenacted this recognized limit of \$400,000,000 of United States notes "issued or to be issued," and increased the limit of temporary deposits to \$150,000,000. This act provides the same reserve, not exceeding \$50,000,000, to be temporarily used for the redemption of such temporary loan.

After this act, in his annual report in December, 1864, Secretary Fessenden again twice (pp. 3 and 18) recognizes that, even prior to its passage, the limit of intended circulation was \$400,000,000 of United States notes.

Secretary McCulloch, in his annual report in December, 1865 (p. 11), says "that the circulating medium of the country is altogether excessive," and proceeds to combat objections urged to a reduction of the currency. After making various recommendations, all tending to diminish the volume of circulating notes, he adds (p. 14) :

It is the opinion of the Secretary, as has been already stated, that the process of contraction can not be injuriously rapid, and that it will not be necessary to retire more than one hundred, or at most two hundred millions of United States notes, in addition to the compound notes, before the desired result will be attained. But neither the amount of reduction nor the time that will be required to bring up the currency to the specie standard can now be estimated with any degree of accuracy. The first thing to be done is to establish *the policy of contraction*.

The first act in response to this recommendation was the following resolution, introduced into the House of Representatives 15th March, 1866, and passed by the very decided vote of 144 yeas, 6 nays :

*Resolved*, That this House cordially concurs in the views of the Secretary of the Treasury in relation to the necessity of a contraction of the currency, with a view to as early a resumption of specie payments as the business interests of the country will permit ; and we hereby pledge coöperative action to this end as speedily as practicable.

Afterward, the bill was introduced in the House of Representatives, and finally passed, and was approved April 12, 1866. It was discussed at length, and during the whole debate its purpose was avowed to be contraction of the currency and resumption of specie payments as a consequence. Objections to the great power conferred upon the Secretary of the Treasury, under which he could call in and retire the whole of the legal-tender notes, resulted in a recommittal of the bill to the Committee of Ways and Means ; and, in reporting it back, the chairman stated that the recommittal was considered an instruction to place a limit upon the power of contraction. Hence the proviso which limits the contraction to \$10,000,000 in the first six months, and \$4,000,000 per month afterward.

If the power to reissue had been a power coexisting with that of



retiring, it is evident that the act of February 4, 1868, was unnecessary; for the evil to be arrested by that act could as well have been arrested by the reissue of the notes. That act was passed when it was alleged that contraction was too rapid, and was not intended to relieve the stringency by authorizing a reissue, but, on the contrary, only suspended the power exercised after the passage of the act of 1866.

From this review of the several acts relating to United States notes, we may fairly conclude that the intent and legal effect of these acts, when fairly construed, was to reduce the maximum of legal-tender notes to \$356,000,000. No one appears to have asserted that the Secretary had power to increase that sum. The care with which a maximum was always prescribed indicates the intention of Congress to preserve one. The only contingency for an excess was to "temporarily" meet "temporary loan," and by the act of April, 1866, the temporary loan was funded. When the policy of contraction was entered upon, the words used—"retired and canceled"—as clearly expressed a permanent payment and contraction as any words could do. If possible, the words were made stronger by forbidding an increase of the public debt; the issue of a new bond was to be accompanied by the permanent payment and cancellation of an equal amount of the old debt. The general understanding of the business community was that the maximum of United States notes was \$356,000,000, subject only to the limited power to use a part or all of the \$50,000,000 reissue for payment of "temporary loan," and that only to be used temporarily. To overthrow this construction, and establish the authority of the Secretary of the Treasury to issue \$44,000,000 at his discretion, would require some clear and unequivocal expression of the legislative will, and ought not to be inferred.

It is claimed that, under a clause of section three of the act of March 3, 1863, the Secretary of the Treasury was granted the power to issue new United States notes in place of those "canceled and destroyed," and that he therefore might at his discretion issue the \$44,000,000 "retired and canceled" under the act of April 12, 1866. The clause of the act of March 3, 1863, is as follows:

And in lieu of any of said notes, or any other United States notes returned to the Treasury and canceled or destroyed, there may be issued equal amounts of United States notes such as are authorized by this act.

Does this authority conferred in 1863 authorize the reissue of notes "retired and canceled" under the act of April 12, 1866? Your Committee think not. Such a construction overlooks the object and legal effect of the acts of June 30, 1864, April 12, 1866, and February 4, 1868, already cited. The act of 1863 provides for an issue and reissue of United States notes for Treasury notes. Treasury notes bearing interest were issued and United States notes received in payment. When the Treasury notes became due they were paid in United States notes. Under that act United States notes, to the amount of \$150,000,000, were issued, reissued, canceled, or destroyed, or mutilated notes were replaced by new ones. They were exchanged at par for Treasury notes. This process often led to the cancellation and destruction of United States notes, and the law provided for the issue of new notes in their

place. This cancellation and destruction of notes, authorized by the act of March 3, 1863, is a very different process from retiring and canceling notes under a law which provides explicitly for a reduction of the currency at the rate of four millions a month. The words of the two acts are different. All the provisions are different. The *res gesta* are different. One provides for an exchange of securities; the other provides for "retiring and canceling" a specified sum each month.

Again, this clause in the act of 1863 must be construed in connection with the limit of circulation authorized by law.

The limit, it is clear, had been fixed at \$400,000,000 by the act of 1864, and we find in the act of March 3, 1865, a proviso that it should not be construed to authorize the issue of legal-tender notes *in any form*. That limit being kept in mind, the purpose of the act of 1866 was to reduce that outstanding amount.

As originally introduced, the power of reduction extended to the whole legal-tender circulation then issued. Had it passed in that form, as it was urged upon the House, if the right to reissue existed, it would have presented the anomaly of Congress announcing the policy of contraction as necessary and salutary, and leaving the power in the Secretary's hands to defeat that policy as fast as it operated, by reissuing the notes whenever received in exchange for interest-bearing bonds. That power is totally at war with the avowed purpose of the act, and it can not stand with it to the extent of \$44,000,000 any more consistently than it could if it had been applicable to the whole \$400,000,000.

It is stated that since the passage of the act of February 4, 1868, large sums of United States notes have been held by the Treasury Department as a surplus fund, in excess of the \$356,000,000 in circulation, for the purpose of meeting any sudden demand upon the Treasury. This was necessarily so, as large quantities came in daily for redemption as mutilated, defaced, or endangered by successful counterfeiting. But no issue in excess of \$356,000,000 was made except in two instances.

In one of these one million and a half was issued after the Chicago fire, to replace that amount burned and destroyed in the office of the depository at Chicago during the fire. This is scarcely an exception, for the new notes were issued only in advance of the formal proof and allowance for the destroyed notes, but not in advance of the certainty of their destruction.

The other case is stated by the Secretary of the Treasury in his letter of December 13, 1872, to the House of Representatives, as follows :

In reply thereto, I have to say that the amount of United States notes in circulation was increased in October last, upon the order of Assistant Secretary Richardson, then Acting Secretary, in the absence of the Secretary of the Treasury, in the sum of about \$5,000,000 over the amount outstanding when the act of February 4, 1868, became a law.

The object of the issue was the relief of the business of the country, then suffering from the large demand for currency employed in moving the crops from the South and West. The condition of affairs then existing in the country seems to me to have warranted the issue upon grounds of public policy.

The circumstances under which this issue of five millions was made were such as would clearly have justified its exercise, if, as was honestly

and confidently claimed by the officer who made the issue, he had the legal authority to make it. It was his plain duty to exercise every power he possessed to protect the public in the emergency stated, and your Committee are unanimously of the opinion that the Assistant Secretary acted according to what he conceived to be his legal power and public duty; but, believing that, under the law, he could not issue legal-tender notes in excess of \$356,000,000, we must regard the precedent as a bad one. No sooner was this power claimed than it was at once contested. It is scarcely possible that, if such a power existed, it would not have been exercised before, in times of greater stringency. His action may be an argument why some power ought to be granted to issue United States notes to meet an emergency; it was based not so much upon a construction of law as "upon grounds of public policy," which should control the action of legislative and not executive authorities.

We are referred to two decisions of the Supreme Court, *Banks vs. Supervisors* (7 Wallace, 26) and *Vezie vs. Fenns* (8 Wallace, 537), as sustaining the power of the Secretary of the Treasury to issue United States notes in excess of \$356,000,000. A careful examination of these cases shows that they have no bearing on the question before us. The Chief Justice says:

That under the act of March 3, 1863, another issue was authorized, making the whole amount authorized \$450,000,000, and contemplating a permanent circulation, until resumption of payment in coin, of \$400,000,000.

The Chief Justice was not called upon by the case before him to pass upon the subsequent acts, and did not do so. In point of fact, there never was in circulation \$450,000,000 of United States notes; and it is safe to say that no one expected to resume specie payments in coin with so large a sum as \$400,000,000 United States notes outstanding.

A power over the currency so wide-reaching as the power to issue \$44,000,000 of new legal-tender notes is one that ought not to rest upon implication. It should not rest upon a doubtful construction of words in a law passed three years before, and used in regard to loans negotiated under widely different circumstances. Congress might well grant a power during war that it would not confer in peace. The full exercise of such a power would undoubtedly affect the nominal value of all property in the United States to the extent of at least 10 per cent., and the real value or burden as between debtor and creditor of at least 10 per cent. on all contracts to be performed. Such a power, if given, would be by clear and unambiguous language, and should not be inferred by subtle reasoning, or depend upon the pressure of interested parties or changing views of public policy.

In all questions of construction as to the extent of power conferred by law in matters which affect the public credit or public securities, a reasonable doubt as to a grant of power should be held to exclude it. After a careful review of the subject, your Committee are of the opinion that the Secretary of the Treasury has not the power to issue United States notes in excess of \$356,000,000, outstanding when the act of February 4, 1868, took effect; but he may replace with new

notes all mutilated or defaced notes, and, within the limit of \$356,000,000, may exchange or replace new notes for old ones.

And your Committee report the following resolution :

*Resolved*, That, in the opinion of the Senate, the Secretary of the Treasury has not the power, under existing law, to issue United States notes for any portion of the forty-four millions of the United States notes retired and canceled under the act approved April 12, 1866.

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## THE CURRENCY—SPECIE PAYMENTS.

*IN THE SENATE OF THE UNITED STATES, JANUARY 16, 1873.*

MR. PRESIDENT: The Committee on Finance, to whom was referred the bill (S. No. 1113) supplemental to an act to provide a national currency secured by a pledge of United States bonds, and to provide for the circulation and redemption thereof, approved June 3, 1864, and to secure an elastic currency, to appreciate national obligations, and to reach specie payments without commercial embarrassments, have agreed, I may say unanimously, on a substitute which they offer as an amendment to the bill introduced by the Senator from Connecticut [Mr. Buckingham]. The substitute of the Committee proposes free banking after the 1st of July next and specie payments or qualified specie payments after the 1st of January next, and is the result of the most careful consideration given to this whole class of subjects, embracing all the topics connected with our currency and the resumption of specie payments. In order that the general views of the Committee, as far as they can be given by one member, may go out with this proposition, I have condensed as far as I could in the fewest words the general reasons which control the action of the Committee.

The restoration of our currency to a specie standard is an object of primary importance. The present condition of our currency governs and controls all other questions of political economy, and until we make it the equivalent of money—of gold coin, the recognized standard of money among all civilized nations—we can not rest upon a solid basis for any kind of business or for public or private credit. Every man now buys and sells upon a fluctuating standard of measurement. Every man who borrows feels that he may be compelled to pay in a different money from what he receives. Every producer feels that in addition to the uncertainty of supply and demand he must also speculate upon the uncertainty of the kind and value of the money with which he is to be paid. The merchant must not only guard against dangers by fire and water, but against “corners” or artificial stringency of money. The people at large, while boasting of their restored credit, of vast payments on their public debt, yet must feel that that debt, held by them in the form of United States notes, is less valuable than gold, which it promises to pay; it is less valuable than any other form of public debt, and by its own depreciation forces the depreciation of the notes of

banks able to pay in specie. The notes are a currency rigid, inflexible in amount, and therefore of variable value—to-day worth four per cent. a year and to-morrow worth two per cent. a month. They are the basis for a banking circulation that is practically irredeemable because they are themselves irredeemable.

And yet, with all these defects, the currency of the United States is so much better, safer, and more satisfactory than any we have had before that our constituents dread, when we deal with acknowledged defects, lest in curing these defects we deprive them of a currency with which they have made greater progress than ever before in our national history. It is the fear that in some way we may impair the vast benefits we have gained from our national currency that so many oppose raising it to a specie standard. It is feared that specie payments will produce a contraction of the currency and those kindred panics which in our past history caused widespread ruin and disaster. It is for Congress to determine whether it is possible while maintaining our present system of national currency to bring it by wise legislation to the standard of gold without producing the evil results anticipated.

No one in dealing with such a question on which there is so great a diversity of opinion, and so varied an interest, should speak with assured confidence. The only safe way is to proceed slowly and take no step that will not tend in the right direction, and to reject all measures the practical results of which can not be clearly marked by experience.

I propose first to show that we are bound by every obligation of law, of promise, of judicial authority and public policy to make the United States notes equivalent in value to gold coin.

United States notes were issued under the authority of the acts of Congress passed February 25, 1862, July 11, 1862, and March 3, 1863. Other acts somewhat modified their conditions, but these were the governing acts. They were issued during the time of war, when all the existing banks had suspended and when coin was inadequate to meet the enormous wants of the Government. They were made lawful money and a legal tender in payment of all debts, public and private, within the United States, except for duties on imports and interest on the public debt. During the entire war they were practically receivable at par in payment for all bonds offered by the United States, and for a part of the time they were in terms convertible into bonds at the pleasure of the holder. They are made the basis of the entire system of national banks, whose notes are payable in United States notes. The amount is carefully limited, the highest limit being four hundred and fifty millions by the act of March 3, 1863, somewhat restricted by the act of June 30, 1864, which declared that the total amount of United States notes issued or to be issued should never exceed four hundred million dollars and such further sum not exceeding fifty millions as might be temporarily required for the redemption of temporary loan. They were still further restricted by virtue of the act of April 12, 1866, under which all the temporary loan was funded into bonds, and forty-four millions of the notes were retired and canceled. By the act of February, 1868, the amount of United States notes was fixed at three hundred and fifty-six millions, that being the

sum then outstanding, and there is now no authority in law for their increase or reduction.

Under the law as it now stands we have three hundred and fifty-six millions of "lawful money." It is inflexible in amount and irredeemable except as Congress may provide for its future redemption.

Aside from its value to pay internal taxes and as a legal tender for debts, it has the promise of the United States to pay it in coin. The time of payment, however, is not fixed.

By the first act of General Grant's administration, to wit, the act of March 18, 1869, it is enacted :

And the United States also solemnly pledges its faith to make provision at the earliest practicable period for the redemption of the United States notes in coin.

This act, entitled "An act to strengthen the public credit," gave the first specific pledge to redeem these notes in coin. But the several acts under which the notes were issued authorized the promise of the United States to pay so many dollars, and the law in force declared that a dollar should consist of twenty-five and eight tenths grains of standard gold nine tenths fine. The notes, on their face, contain the promise of the United States to pay so many dollars to the bearer, payable at the Treasury of the United States in New York. The Supreme Court of the United States has, in two cases, held that these notes are valid obligations of the United States to pay in coin. In the case of *The Bank of New York vs. Supervisors* (7 Wallace Rep., p. 30), the Chief Justice says of the United States notes :

Every one of them expresses upon its face an engagement of the nation to pay to the bearer a certain sum. The dollar note is an engagement to pay a dollar, and the dollar intended is the coin dollar of the United States, a certain quantity in weight and fineness of gold or silver authenticated as such by the stamp of the Government. No other dollars had before been recognized by the Legislature of the National Government as lawful money.

Every United States note is, then, a promise to pay gold. No time is fixed for the payment, and no provision is made. A promise to pay with no time fixed is a promise to pay on demand. Such an obligation would be enforced against any citizen by any court in the United States of competent jurisdiction. Every United States note, then, is a dishonored obligation, a promise to pay, but with no payment or provision for payment. It is also a depreciated promise ; it is a promise to pay gold, and yet no one will pay gold for it ; and it is daily sold at a discount of ten to fifteen per cent. Tested by the rules of law between individuals it would be enforced by sale on execution and by process of compulsory bankruptcy. Yet it is the promise of the United States. Surely the dishonor of this broken promise can have no longer an excuse in the necessity of war. That has passed away. Nor in want of ability, for a single year's surplus revenue would restore these notes to par in coin. It is now four years since we solemnly pledged the national faith to redeem them in coin at the earliest practicable period. Can any man say that this has not been practicable at any time within four years ?

Not only do the act of Congress and the Supreme Court define our

obligation, but the organized action of both the great parties has promised specie payments. The Republican party in national convention expressed the hope and promise of perfecting our currency by a speedy resumption of specie payments, and the Democratic party endorsed and approved the promise of the Cincinnati convention of a speedy resumption of specie payments.

While no doubt some of our constituents shrink from the apparent fall of prices that will probably flow from resumption, yet it is manifest that we can not longer postpone a fulfillment of the promises that have been made. To delay longer is to tamper with the public honor and familiarize our people with an open, palpable, long-continued breach of the public faith. We have for nearly eight years since the close of the war approached resumption in gradual stages by the growth of our industry, the improvement of our credit, and new demands for our currency. We have placed our debt where it will melt away by the silent operation of a sinking fund; we have largely reduced its volume; we have repealed more than one half the taxes; we have adjusted those that remain so that they fall as lightly as possible upon the people, and are now in a position of such strength and credit that we can, if we will, redeem the only broken promise of the United States by a resumption of specie payments.

I have presented the argument of public faith in the foreground, for it is the first to be considered; but specie payment is not only required by public faith, but it is now demanded by public policy; or, to use a narrower phrase, it is wise political economy.

Experience has established that every nation using a depreciated currency loses in exchanges with a nation having a better currency. If we buy abroad, specie is the standard of value, and the cost of the article to us is at once increased by an addition of the depreciation of our money and a percentage for exchange and risk. What we sell abroad is also measured by the specie standard, and the loss by exchange, whether we buy or sell, is paid by us. This loss is more severe when applied to contracts to be paid in the future, and especially to railroad and other bonds payable after a period of years. These bonds must be paid in gold, whether the gold is stipulated for or not, and yet the price paid for them is usually in currency. We pay in gold and receive in currency, and thus at the outset submit to a loss of the entire depreciation of our currency. The interest paid on this discount of our bonds would in many cases if applied as a sinking fund pay off the whole of the principal before it accrues.

That a depreciation of the currency always injuriously affects a community in which it exists was shown by the experience of the colonies before the war of independence. In each of them some form of depreciated money was used. The value of the pound and shilling in current use was only from one half to par of the value of the standard coin of Great Britain; and this depreciation often measured the poverty or necessity of the colony using it. With the currency which was in common use before the late war, and which depended entirely upon the law of the State authorizing it, the notes of the Western States were as a rule depreciated, and those States suffered

the loss; while in the Eastern States, in which a better banking system prevailed, the notes were maintained at the specie standard, and great profits and accumulations were made by their practical monopoly of the banking business. The great body of our people do not pause to consider their loss by the use of depreciated money. It is lawful money, it buys all the necessaries of life, it pays debts, it is convenient to carry, and is of uniform value throughout the United States, and is amply secured. These advantages are obvious and satisfactory, but all of them can be better secured with a currency that will purchase as much food or clothing as the same sum in gold coin; that will measure the products of all other nations as well as our own, and is not subject to the fluctuations and speculative changes of our present currency.

Again, it is impossible to give to a depreciated currency the quality of "flexibility." A suspension of specie payments necessarily suspends all redemptions of paper money. The United States notes being irredeemable the national bank notes are irredeemable. All of them being now paid out, there is no object to return them, and thus not only the United States gets the benefits of a forced loan from the people without interest and without the burden of redemption, but the banks also get the benefit of a forced loan from the people without interest and without the burden of redemption.

It is true that the banks are required to maintain a certain reserve of United States notes to secure a redemption of their notes, but practically we know that no notes are presented for redemption. It is on this ground that they apply to us to relieve them from the burden of maintaining a reserve.

We are told that we require them to keep idle in their vaults currency sorely needed by the business community merely to secure the redemption of notes that are never presented. It is true that a bank reserve is unnecessary and indefensible unless for the redemption of their notes. If the idea of redemption is abandoned or indefinitely postponed, then all reserves should be dispensed with. If the only object is to make currency abundant without regard to its value compared with coin, then any reserve is folly. Indeed, the whole national banking system would be indefensible. If our currency is to be permanently irredeemable, it is impossible to state a reason why the whole of it should not be issued by the United States, or why any of it should be issued by a bank. The only benefit the public derive from a bank of issue as distinguished from the private interest of its stockholders is that the bank note is the convenient representative of coin; that its capital, resources, and reserve furnish a security for the redemption of its notes in coin, and that it is a convenient agency to distribute its notes by loans to those engaged in producing and transporting property.

Any policy that abandons the redemption of bank notes in coin will inevitably lead to the abandonment of banks of issue, for the public will not long allow the banks to derive a profit from issuing notes unless they assume the burdens of redeeming them. This is understood by the national banks. They do not shrink from the duty of redeeming their notes, but say that while the notes of the United States are



lawful money and a legal tender, and are both depreciated and irredeemable, the banks cannot redeem except with them. It is the United States notes that stand in the way of specie payments. If in any way they were maintained at par with coin the obligations of the banks to maintain their notes in coin would be easily enforced. Then the superior excellence of the national banking system would be demonstrated. It would no longer be a monopoly, but under the law as it now stands would be free to all who chose to engage in the business. The plethora of money at one time and its stringency at another would be regulated by the redemption of notes when abundant and their increased issue when required by new demands. Any attempt to make a "corner" by locking up currency in one bank would be met by its issue by another. The corresponding privileges and burdens of a bank of issue would relieve them from prejudice. The maintenance of these notes at par with gold, together with their absolute security, as now, would be recognized as an equivalent for the privileges they enjoy.

Again, all the existing laws authorizing United States notes and bank notes are based upon the theory of specie payments. The notes were only issued, however, during war, when, under a suspension of specie payments, there was no medium of payment except the public credit. We could not utilize the public credit in borrowing money until we had provided a medium of payment. For that purpose we coined the public credit into a limited amount of lawful money; but promised to pay this money in coin. When the lawful money was issued we did not anticipate the extent of its depreciation, and constantly kept in view its speedy redemption. Ordinarily the functions of a government in furnishing money are limited to stamping upon gold and silver of certain weight and fineness its intrinsic value. Here its duty ends. But in war this process of coining did not meet the public necessities, and the United States coined its credit into money, and this process has been upheld by all departments of the Government. Still, this money is but another form of public debt, a promise to pay specific quantities of gold and silver. In the national banking act Congress assumed that the United States would maintain its paper money at par with coin as soon as its necessities would allow. It provided for an auxiliary currency also to be at par in gold and to be issued by banks. Every provision of that act contemplates that both United States notes and bank bills should be equal to gold and to each other. This is the reason for the provisions for redemption, for centers of redemption, and for a large reserve.

The banking act also anticipated that the United States might withdraw its notes, and then that bank notes were directly to be redeemed with coin. Still the bank act provided for the existence of both kinds of notes in common, and experience shows that both may be maintained in circulation with profit to the United States. While no provision is made for the redemption of United States notes the provision for the redemption of bank notes is nullified. Our whole system of currency becomes incongruous by our failure to provide for the redemption of United States notes.

If, then, public faith, public policy, and the spirit of our laws de-

mand that our currency be restored to the specie standard, it would seem that the only remaining inquiry should be, what is the best way to resume? But here we meet the objections of many business men, the most active and enterprising of our people, who tell us that specie payment with them adds largely to the burden of their debts; that upon the basis of existing law and the condition of inflation always produced by depreciated money they have made contracts, contracted debts payable in currency, and that now to add to the value of that currency is to embarrass, cripple, or ruin them. Some tell us they are prepared to meet the gradual approach to specie payments caused by the increased business and credit of the country, while others tell us that the country needs more currency; that its growth in population, expansion in business, and new enterprises render an increase of currency indispensable. The effect of any measure upon the interests of active business men should be carefully studied, but individual hardship is not sufficient reason for a violation of public faith, or a disregard of the general interests or policy of the whole country. All our citizens have had full notice of the policy of the Government. The acts of Congress already cited, the decisions of the Supreme Court, and the promises of opposing parties are well known to all intelligent men.

And the effect of specie payments is greatly exaggerated as to the persons it will injure. Our business men are not only debtors but they are creditors. If they are injured by adding to the burden of their debts, they are benefited by the increased value of their credits. No one engaged in production merely, whether as a farmer, a manufacturer, a mechanic, or a laborer, is injured; for, if the nominal value of his productions is diminished, the cost of living and all that enters into the cost of production is diminished in the same degree. Experience has shown that depreciated money is most injurious to laboring men, because it produces a false standard of value, the effect of which is not noted by a laboring man as by a trader or merchant. Even upon current debts and credits the effect of a specie standard will scarcely be appreciable, for the nominal loss will be discounted in advance or be divided during the gradual appreciation of paper money. The greater burden will fall upon debts running a long period of time, as upon corporation bonds and mortgages. As to those in existence before the legal-tender act took effect, it is but right that they be paid in specie, while those contracted since have been issued in expectancy of specie payments before this time. Still, while the effect of a specie standard upon debtors is greatly exaggerated, it cannot be denied that if it is followed by a contraction of the currency it will create distress and embarrassment to very many who have contracted debts on a currency basis. But this argument of hardship will apply for ever. If we are to be controlled by it we can never pay our promises. The lapse of time will not make it easier. Our financial condition is now so strong that we can afford to do right, and yet in such a way as to injure in the least possible degree those who contracted debts on a currency basis.

Again, the effect of a specie standard in producing a contraction of the currency is greatly exaggerated. A contraction of the currency is not necessarily a result of specie payments, though it would undoubt-

edly produce them. It is the most direct road to specie payments, and if the paper money in circulation is in excess of the wants of the community it is the only road. We in 1866 and 1867 greatly contracted the currency by funding over three hundred million dollars of compound-interest and other notes, most of which were a part of the currency. If in 1868 we had, as was proposed in the Senate, authorized United States notes to be received for five per cent. bonds at par, we would have long since been at specie payments. The notes when received could have been paid out again for the payment of current expenses and the purchase of bonds, precisely as now when gold is sold for notes and notes applied to the purchase of bonds. In this way we would have reached a specie standard the moment our five per cent. bonds were worth par in gold. The advancing credit of the nation would have lifted our currency to par in gold precisely as it lifted all forms of bonds to or above par in gold. And now when our credit is greatly improved by the rapid payment of the debt, as evidenced by the advanced value of our notes in gold, we can raise their value to the specie standard much more readily than four years ago.

One fallacy lies at the foundation of the common objection to a specie standard, that it necessarily compels a withdrawal of paper currency. This depends entirely upon the amount necessary to conduct the business of the country and the degree of public confidence in its redemption. The Comptroller of the Currency, in his last annual report, shows that in January, 1862, when specie payments were suspended, the aggregate circulation of coin and paper was \$448,671,218, or a ratio of two and seventy-one hundredths per cent. of the wealth of the United States, and that the circulation of the United States in 1870, including United States notes, bank notes, fractional currency, and specie, was \$790,000,000, or two and sixty-two hundredths per cent. on our wealth. The circulation in the United States *per capita* is now less than in France and greater than in Great Britain, but greater than in either in proportion to wealth. When we consider the vast extent of our country, its rapid growth, the value of our productions, and the general use of paper money, is it not reasonable to suppose that all of it now outstanding can be maintained in circulation on a specie standard?

It must be remembered that the total amount of United States notes is now \$356,000,000; that very large sums must be retained by the banks as their reserve; that large gold reserves are now held in the Treasury; that the notes are widely circulated, have the confidence of the people, and can be supported by the public credit. Under these circumstances it is scarcely probable that any considerable sum will be presented for redemption. If presented they can again be paid out in the course of the public disbursements. Specie payments can thus be resumed without a contraction of the currency and with only the change of nominal values for the real standard of value the world over.

The chief requisite is that the public should have assured confidence in our ability to maintain resumption. This is indispensable, and when it exists actual redemption by payment of coin will be comparatively rare. This confidence or credit can be given by either of three expedients:

1. The maintenance in the Treasury of a large reserve in coin.
2. The authority in the Secretary of the Treasury to sell bonds for coin to maintain redemption.

3. To authorize an alternative redemption, either in coin or bonds.

The first is subject to the objection that it keeps idle a vast sum only needed in case of a panic, when it will be insufficient. The second is subject to a greater objection, that, as the power could only be used in a stringent money market, it would lead to great sacrifices of public securities and add fuel to the existing panic. The third mode requires no reserve; it could operate only while, from panic or unforeseen causes, our bonds were below par in coin, and as a temporary suspension of specie payments, alike beneficial to the United States and to the business community. This plan implies that the United States will make its provisional redemption in a bond so intrinsically valuable that it will be generally at par in gold.

I do not overlook the fact that resumption by the United States will test the strength of the national banks and prove whether or not they are entitled to public confidence. But their present condition, with an aggregate surplus fund far beyond the difference between currency and coin, justifies the conviction that they will meet the public expectations. With specie redemption the system becomes free. The fluctuations of their currency will be but the healthy ebb and flow of commerce. Redemption will then become a fact, and will check the tendency of the country banks to employ their currency in Wall street speculations. As they may redeem in coin or United States notes, they will have the benefit of the alternative redemption provided as to United States notes, so that the sacrifice of these securities that generally follows specie payments during a panic can go no further than the payment of their bonds for their notes in equal values.

Again, a specie standard will also bring gold and silver coin into actual use. The amount now hoarded has been variously estimated, and, with that deposited in the Treasury and in circulation in California, can not be less than two hundred millions. This will probably take the place of legal tenders as bank reserves, and thus add to the present volume of currency. Even if specie payments should cause the retirement or funding of fifty millions of United States notes, their place will be more than filled by the coin returned from its present banishment. I therefore conclude that fears of evil results from a specie standard are greatly exaggerated; that there will be no contraction of the currency, no disturbance of real values, no suspension of business, but that our present United States and bank notes will pass as usual in the ordinary exchanges of life, measuring the value of all property, whether produced here or abroad, equal to the real money of the world, and with no taint of dishonor or depreciation about it.

There is one incident to a specie standard that must not be overlooked. It is the widespread injury produced by a sudden panic, when confidence is temporarily dethroned and all demand specie at once. With the paper currency in use in the United States before the war such a panic was ruin and bankruptcy. In such a time the right to demand specie created evils and disasters which with irredeemable and

depreciated paper money only caused a further depreciation until general causes restored confidence. It is commonly said that with specie payments we had the panics of 1837, 1847, and 1857, while with irredeemable greenbacks we have met a war, the fire at Chicago, and other calamities without a panic; *ergo*, a specie standard is a fallacy. To express it as the English did when specie payments were suspended, guineas are a useless incumbrance.

This reasoning only proves that, when by war or panic specie payments are suspended, a nation may by the use of paper money alone develop its resources and attain high financial prosperity. But it is also true that history furnishes but two examples of such success, and in both cases specie payments were constantly promised and kept in view, while the public credit was maintained by collecting its revenue and paying its debt in coin. In Great Britain, during her wars with Napoleon, the Bank of England notes were a depreciated, irredeemable paper currency, but they were never made a legal tender and their credit was supported not only by promises of but by attempts at resumption. In the United States the secret of our success with paper money was the careful limitation of its amount, the payment of our interest in coin, the collection of our customs duties in coin, and the promise of the United States to redeem all its notes in coin with the confidence of our people that this would be done.

Not only the United States, but other nations who conducted war with paper money alone, without an expectation of coin redemption, met with disastrous financial ruin. Such was the experience of France with her assignats and mandats, of the American Colonies with continental money, and of the Southern Confederacy with their Confederate notes. Most of the modern nations of Europe have attempted, at some period of their history, to bridge over their difficulties with government paper money, and with disastrous results. Great corporations with the power of the government behind them have furnished us with examples of the folly of sustaining paper money except by specie redemption. The South Sea scheme in England, the Mississippi Company of George Law in France, the Bank of the United States, and the "pet banks" are striking examples.

If any one fact is proven by the experience of mankind, it is that gold and silver are the best possible standards of value. They have been so recognized by every nation from the earliest period of recorded time. However much nations might differ in religion, habits, production, or climate, they have not differed in this primary axiom of exchange or barter. Experiments have been tried with other standards, from the iron of Lycurgus to the finest bank-note engraving of modern times, but all have resulted in the conviction that gold and silver is the only true standard. Paper money supported by the credit of a government is a convenient substitute greatly facilitating exchanges by the ease and safety of handling and transmitting it, but it is not real money; it is only a promise to pay money, and the only test of its character as false or true money is its capacity to be converted into gold or silver of prescribed weight and fineness.

The effort to continue the use of gold as the standard, and paper

money as the representative of gold, has been for two hundred years the most difficult problem of political economy. Our own system, though the outgrowth of the war, is believed to combine some advantages superior to any now in use in the world. It rests upon the credit of the Government. The Government promises to pay not only United States notes but the bank notes, and holds security for the payment of the latter. It combines the interests of the Government with the interests of private persons, the owners of the banks. The paper money is as well distributed as the nature of the case will allow. The United States prints the bills of uniform style and guards them against counterfeiting. Worn or mutilated notes are at once replaced. The notes must be of uniform value throughout the United States. All that is needed to complete the system is general specie redemption, but with provision for temporarily suspending specie payments in case of extreme necessity.

It was the want of some power legally to suspend specie payments that led to the evil results of the panics of 1837, 1847, and 1857, and probably might have led to temporary suspension on "black Friday" or after the Chicago fire. In such cases a temporary suspension or some substitute for specie payments is indispensable unless paper currency is so restricted and limited in amount as to be insufficient for the ordinary exchanges of the country. All paper money must rest to some extent upon confidence. When a panic arises by some unforeseen event which destroys confidence, the instinct of every holder of a bill or depositor in a bank is to convert his money into gold. This feeling if wide-spread and long-continued will break any bank, however abundant its assets, and will necessarily lead to the enforcement of debts and to general distress. Our national banking system amply protects the note-holder, but it does not in a time of specie payments sufficiently protect a bank from an enforced sacrifice of its assets to maintain specie payments at a time when the public good as well as the existence of the bank demands a temporary suspension. The same difficulty might arise on the part of the United States in maintaining specie payments on United States notes. The reserve of gold in the Treasury might be exhausted by a sudden demand. A war or panic might cause such a demand for coin that the United States might be unable to redeem in coin. Such a contingency ought to be provided for in advance. The expedient adopted in England of allowing the Bank of England to raise the rate of interest on its loans, thus drawing in its assets to meet anticipated dangers or demands, is not consistent with our public policy. A discretionary power in private persons or public officers over so delicate a subject as the national currency ought to be avoided. The national banks already possess, in the custody of the Government, the means to meet this difficulty. The best substitute for specie payment, when from exceptional causes it can not be maintained, is the public credit. If the United States can not pay its notes in coin, or national banks can not pay their notes in coin or in United States notes, payment in bonds of the United States, bearing interest at such rate and upon such terms as ordinarily to be above par in gold, would provide for an alternative redemption. It would satisfy the

public creditor, and even prevent for a time any considerable depreciation of the notes. In the mean time the notes would be a legal tender among our citizens, would pay debts and fulfill contracts, and would, the moment that exceptional causes passed by, be at par in coin. With authority in the Secretary of the Treasury to redeem United States notes either with coin or with the five per cent. bonds now offered for sale, and with like authority to redeem bank bills protested for non-payment in specie with the bonds of the bank deposited with the Treasurer at par, we would have specie payments except when bonds of the character named were worth less than par in specie.

With the advancing credit of the United States we may safely affirm that such bonds will always be at par in gold, except at such times as it would be ruinous to maintain specie payments. And, with such provision for the redemption of United States and bank notes, no large reserve of gold, either in the Treasury or in the bank, would be required. Such a provision would guard against the sacrifices which banks and people alike must suffer when compelled to redeem their notes to pay their debts in coin, made exceptionally scarce by panic or war. It would reconcile many persons to a specie standard who dread that an artificial or temporary scarcity of specie might require them to fulfill their contracts with money impossible to be obtained. Banks who now fear that under a panic their bonds and securities might be sacrificed for specie would feel that their securities deposited with the Treasurer would at least pay their bills. It would be in harmony with the banking system and all our early loan laws during the war, which provided for a voluntary conversion of notes into bonds. I do not claim that this is the only expedient against a panic and for temporary suspension, but I do claim it would secure us against the wide-spread bankruptcy that in times past resulted from the compulsory suspension of specie payments in the United States.

Having thus shown the obligation and necessity of specie payments, and how the anticipated evils of resumption may be avoided, it remains to examine the means best adapted to bring it about. Among the innumerable schemes proposed there are several that are practicable.

1. To authorize legal-tender notes to be receivable in payment for bonds of the United States.

2. To authorize them to be receivable in payment of duties.

3. To authorize them to be converted into demand notes bearing interest, or into compound-interest notes.

4. To provide for direct resumption of specie payments on a day in the future to be fixed by law.

5. To provide a graduated scale of rates at which the notes will be redeemed in coin, advancing to par in coin at a prescribed day.

The examination of these plans would lead me more into detail than I propose to go at this time. Each of them would immediately advance our notes toward a specie standard. The second only is subject to the objection that it would violate the public faith, now pledged to maintain the customs revenue in coin as a special fund for the payment of interest on the public debt. A careful consideration of the whole subject leads me to the conviction that the simplest and most

expedient measure is to declare by law that on and after the 1st day of January next the United States will redeem its notes either with coin or, at the option of the Secretary of the Treasury, with its bonds of convenient denominations bearing five per cent. interest in coin. This will be a recognition by the United States of its solemn pledge, made March 18, 1868, that it will at the earliest practicable period redeem its notes in coin. It will provide also for the possible but not probable contingency that more notes will be presented than can conveniently be paid in coin. In that event the United States will redeem its notes in bonds now worth par in gold in the money market of the world. The objections that may be made and its effect upon the national banks have already been anticipated in what I have said. The plan is founded upon the plain equity that if we can not literally perform our promise by payment in coin, we will at least give to the public creditor who holds the notes of the United States a bond bearing a commercial value equal to gold. If, then, these notes are in excess of the wants of the people for a currency, they will be presented for redemption, and ought to be redeemed; if not, their value will be appreciated to the gold standard, and this is specie payment. The necessary modifications of the banking act can properly be postponed until a future time, when the practical effect of a specie standard upon United States notes will test the ability of the banks to maintain their notes at par with those of the United States. Whether they should be relieved from maintaining so large a reserve, whether there should be one center of redemption, are questions of practical legislation for the future. The moment the notes are redeemable in coin the banking system ceases to be limited as to the number and distribution of banks, and will stand like all other business pursuits, open to all who will give the requisite security for their notes and will obey the general law.

In submitting these remarks at this time I feel like apologizing for passing by arguments worthy of consideration; but my only purpose now was to present with the substitute reported by the Committee of Finance the leading reasons in favor of it. My hope is, and it is a reasonable one, that neither Senators nor the public will confine their arguments to critical objections, but will suggest some plan better suited to the objects we have in view. I, for one, while honestly supporting this plan, will readily adopt any better one that will make the now broken promise of the United States to pay one dollar equal to the best gold dollar of the mint.

Mr. President, I move that the amendments be printed, and that the bill take its place on the calendar; and on some convenient day, when the Senate is ready to consider a question like this, I shall move to take up the bill.

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## COINAGE LAWS.

*IN THE SENATE, JANUARY 17, 1873.*

THE Senate resumed the consideration of the bill revising and amending the laws relative to the mints, assay offices, and coinage of the United States. On the amendment offered by the Finance Committee to strike out the following words: "And any gold coin of the United States, if reduced in weight by abrasion not more than one half of one per cent. on the double eagle and eagle, and one per cent. on the other coins, below the standard weight prescribed by law, shall be received at their nominal value by the United States Treasury and its offices, under such regulations as the Secretary of the Treasury may prescribe for the protection of the Government against fraudulent abrasion or other practices; and any gold coins in the Treasury of the United States reduced in weight below this limit of abrasion shall be recoined," Mr. Sherman said:

I CAN only say I have here a number of documents, not only from the Director of the Mint in Philadelphia, but from Prof. Barnard and the Comptroller of the Currency, calling our attention to this very important feature of the bill; and the Committee on Finance, after a patient examination of the whole matter, decided that it was clearly inexpedient and wrong to leave in this provision for the recoinage of all the present gold coins of the United States.

It is true, we have provided for recoinage of the coin in the Treasury of the United States; but we go no further than that. No nation in the world has gone further than that. I do not wish to delay the Senate by reading these documents, but I suggest to the Senator whether he had not better let this proposition go to a committee of conference rather than undertake to discuss it here, because if we are compelled to discuss it here I shall be obliged to have these letters read, which entirely convinced the Committee on Finance that the United States dare not assume the loss of abrasion beyond the legal standard.

There is a legal standard within which the United States make the coin good; but when coin depreciates below the standard of abrasion, then neither the United States nor any other nation in the world undertakes to make the coins good except for their intrinsic value. The ways in which these coins might be abraded by fraud were shown to us, and it will be utterly impossible for any regulation of the Secretary to prevent great loss to the Government if we attempt to maintain these coins when they fall below the limit of abrasion and redeem them at the nominal instead of the real value.

The law now provides for recoinage of abraded coin in the Treasury of the United States. There is no necessity, therefore, for putting it in here again. Indeed, when this clause was inserted in the House the law providing for that recoinage had not been passed. It was passed in an appropriation bill on my own motion, I think, at the last session of Congress. The Mint was authorized to recoin the abraded coins in the Treasury of the United States, some of which were taken at their reduced value.

All nations retain the nominal value of abraded coin to a certain standard, but when it falls below that, the loss falls on the individual who holds it. That has been the custom of all countries. The coin that is held by the Treasury of the United States is received at its nominal value if it is within the limits of abrasion fixed by the law; but if it falls below the limits the loss falls on the holder of the coin, and much of that which is now being recoined was taken at the abraded value, that is, reduced value; and when we issue it again, we shall issue it in coin up to the standard. The question as to whether we shall recoin our own coin and the question whether we shall recoin the coin in the hands of citizens are very different things.

Within a certain degree, one thousandth per cent., a small degree, the Government maintains the coins at their nominal value even if abraded, but when they are abraded below that, the loss falls on the holder, and every man who receives a coin must look to it that it has not been abraded beyond the legal limit. If it is so abraded, he can refuse to take it, or if he takes it at all, he should take it for what it is intrinsically worth. The recoinage of the gold coin now in circulation, although not very large, would involve an amount of one or two million dollars. As a matter of course, as soon as our attention was called to this fact we struck out this clause. I do not wish to go any further into the details of the matter. I think the action of the Committee on Finance was clearly right, and it would be very wrong indeed to undertake in this ambiguous way to make good all the coin now outstanding.

On the question of a coinage charge for gold, Mr. Sherman said:

I must confess my regret that this disputed question should be raised at this stage of the bill, just as it was about on its passage. The Senate of the United States deliberately, after full discussion, decided to retain the charge for coinage of one fifth of one per cent. It is now one half of one per cent., but we reduced it to one fifth of one per cent. The Senate, by a very decided vote, after a full debate, settled that question. The bill went to the House of Representatives, and there there was another effort made by the members from the Pacific coast to repeal the coinage charge, and there, after full debate, it was settled by an overwhelming majority to retain the charge of one fifth of one per cent.

If this question about the coinage charge is to be opened and pressed, it will compel those of us who are in favor of retaining the coinage charge to enter into an elaborate debate. I did so when it was here before, and many other Senators participated in that discussion. The question has been settled, and this bill has now gone to its last stage. This bill passed the Senate a few years ago, and was fully discussed, and the charge of one fifth of one per cent. was retained. This point is beyond our consideration practically. We ought not to undertake, at this period of the session, to review that decision.

The people of California are very largely interested in the revision of the Mint laws. Indeed I have received more letters from that State about this coinage bill, desiring it to pass, than from any other portion

of the country. I can see the great importance of it to them, and I believe it to be one of great importance to the whole people of the United States. Therefore I do not wish to enter into a discussion in regard to this coinage charge that may probably weary the Senate and delay the passage of the bill. I promised that the bill would not take more than an hour, and when I made that promise I supposed these amendments which have been acted upon would be acted upon *sub silentio*, and that other questions which had been settled would not be revived.

I therefore prefer not to say anything on the question except that the coinage charge has not been and ought not to be repealed entirely. We have reduced it now to the lowest rate of any nation in the world except only Great Britain.

The bill became the coinage act of 1873.

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## THE CURRENCY AND SPECIE PAYMENTS.

*IN THE SENATE, JANUARY 16, 1874.*

THE bill to provide for free banking, to secure an elastic currency, to appreciate national obligations, and to reach specie payments without commercial embarrassment, being before the Senate, Mr. Sherman said:

MR. PRESIDENT: It was my purpose not to address the Senate until I had the benefit of the opinions of all Senators who wished to express their opinions; and then I proposed, in closing the debate, to state the general reasons that influenced the Committee on Finance to report this resolution. But as the Senator from Illinois [Mr. Logan] tells me he is not very well to-day, and other Senators are not prepared, I prefer, rather than cause delay, to state as best I can those reasons now.

And, sir, at the outset of my remarks I wish to state some general propositions established by experience, and the concurring opinions of all writers on political economy. They may not be disputed, but they are constantly overlooked. They ought to be ever present in this discussion as axioms, the truth of which has been so often proved that proof is no longer requisite.

The most obvious of these axioms, and one which lies at the foundation of the argument I wish to make to-day, is that a specie standard is the best and the only true standard of all values, recognized as such by all civilized nations of our generation, and established as such by the experience of all commercial nations that have existed from the earliest period of recorded time. While the United States, and all other nations, have for a time, under the pressure of war or other calamity, been driven to establish other standards of value, yet they have all been impelled to return to the true standard; and even while other standards of value have been legalized for the time, specie has measured their value as it now measures the value of our legal-tender notes.

This axiom is as immutable as the law of gravitation or the laws of the planetary system, and every device to evade it or avoid it has, by its failure, only demonstrated the universal law that specie measures all values as certainly as the surface of the ocean measures the level of the earth.

It is idle for us to try to discuss with intelligence the currency question until we are impressed with the truth, the universality, and the immutability of this axiom. Many of the crude ideas now advanced spring from ignoring it. The most ingenious sophistries are answered by it. It is the governing principle of finance. It is proved by experience, is stated clearly by every leading writer on political economy, and is now here, in our own country, proving its truth by measuring daily the value of our currency and of all we have or produce. To establish it I might repeat the history of finance from the shekels of silver, "current money with the merchant," paid by Abraham, to the last sale of stock in New York. I might quote Aristotle and Pliny, as well as all the writers on political economy of our own time, and trace the failure of the innumerable efforts to establish some other standard of value, from the oxen that measured the value of the armor of Homeric heroes to the beautifully engraved promise of our day; but this would only be the hundred-times-told tale which every student may find recorded, not only in school-books, but in the writings of Humboldt, Chevalier, Adam Smith, and others of the most advanced scientific authorities. They all recognize the precious metals as the universal standard of value. Neither governments, nor parliaments, nor congresses can change this law. It defies every form of authority, but silently and surely asserts itself as a law of necessity, beyond the jurisdiction of municipal law.

Other mediums of exchange have been devised, and are in general use, but their value is measured every moment by the true standard of the precious metals. And this standard will measure the value of your three sixty-five convertible, elastic, irredeemable bonds, and of any currency we may issue, before they are issued, the moment they are issued, and at every hour while they are in circulation. The ignorant and the credulous will measure their labor, their productions, and their property by that or any other standard you may devise; but the sagacious and prudent will test it by the specie standard. The barometer in Wall Street will measure it by the specie standard, and every banker and broker will have more to do with fixing its daily changeable value than any of you. If we will now but recognize and act upon the fundamental truth that there is and can be but one true standard of value, and that the specie standard, we shall have advanced a great way in the solution of the question upon which we are called upon to act.

The reasons for this are obvious. The innumerable wants of every civilized man, however moderate his income, demand the labor of thousands of persons. The slave who toiled for his daily bread and scanty clothing consumed more or less of the products of the labor and capital of an army of farmers, artisans, and capitalists, and the exchanges of all these productions can be made only by the use of some recognized standard of value which will measure the value of a pin as

well as of the highest production of art. This standard must be of intrinsic value, durable, divisible, easily transported, of universal use, and of the same qualities wherever found. Gold and silver alone unite all these qualities. To use the language of another :

Though far from invariable, the value of these metals changes only by slow degrees ; they are readily divisible into any number of parts, which may be reunited by means of fusion without loss ; they do not deteriorate by being kept ; their firm and compact texture makes them difficult to wear ; their cost of production, especially of gold, is so considerable that they possess great value in small bulk, and can, of course, be transported with comparative facility ; and their identity is perfect, the pure gold and silver supplied by Russia and Australia having precisely the same qualities with that furnished by California and Peru. No wonder, therefore, when almost every property necessary to constitute money is possessed in so eminent a degree by the precious metals, that they have been used as such from a very remote era. Their employment in this function is not ascribable to accident, to the genius of any individual, or to any peculiar combination of circumstances. It grew naturally out of the wants and necessities of society on the one hand, and the means of supplying them possessed by these metals on the other. They became universal money, as Turgot has observed, not in consequence of any arbitrary agreement among men, or of the intervention of any law, but by the nature and force of things.

Of late years much difficulty has grown out of the slightly varying value of silver and gold, as compared with each other, and the tendency of opinion has been to adopt gold alone as the standard of value. The United States has twice changed the relative value of these metals, and other modern nations have been driven to similar expedients. At the Paris monetary conference, held in 1867, which I had the honor to attend, the delegates of twenty nations represented agreed to recommend gold alone as the standard of value. The United States, and nearly all the commercial nations, have adopted this standard, and reduced the use of silver to a mere token coinage of less intrinsic value than gold, but maintained at par with gold, because paid out only in exchange for gold. So that for all practical purposes we may regard gold as the only true standard, the true money of the world, by which the value of all property, of all productions, of all credits, and of every medium of exchange, and especially of all paper money, is tested.

Specie, in former times, was not only the universal standard of value, but it was also the general medium of all exchanges. In modern times this is greatly changed. Specie is still the universal standard of value, but it has ceased to be even the usual medium of exchange. The failure to discriminate between the standard of value and the medium of exchange occasions many of the errors into which so many fall, and nearly every Senator who has spoken on one side of the question has fallen into this error. Specie has lost a portion of its sovereign power, for with the enormous increase of exchanges it was found that, valuable as it is, it is too heavy to transport from place to place as a medium of exchange. The perils of the sea, the dangers of theft and robbery, led to devices to substitute promises to pay gold in place of the actual gold.

In this way bills of exchange, drafts, promissory notes, checks, and similar commercial paper came into use, so that now, even in this age of paper money, it is computed that fully 95 per cent. of all the ex-

changes in commercial cities is made by such promises to pay. Only 5 per cent., one twentieth part, of the payments in New York is made in money, and this chiefly in paper money and not in gold. If gold were now the only legal standard of value it would not be used as a medium of exchange for 1 per cent. of the transactions of daily life. The convenience and portability of commercial paper and paper money have caused them to supersede gold as a medium of exchange, but have left it as the fixed, the only true standard of value, by which the value of all mediums of exchange is tested.

In England, where the specie standard of values is jealously maintained, and where no Bank of England note can issue beyond a prescribed limit except upon a deposit of an equal amount of gold, specie is not used as a medium of exchange to an amount exceeding 2 per cent. of the aggregate payments. Ninety-eight per cent. of all payments is in commercial paper or bank bills, but the fixed and unalterable standard of value of all this paper money is gold coin. Sometimes the daily payments in London alone exceed all the gold in Great Britain, but only about 1 per cent. is actually paid in gold, and about 5 per cent. in Bank of England notes. In France, until the recent German war, gold and silver were more used as a medium of exchange than in any country of our day. She had in circulation from 1868 to 1870 an amount of gold and silver greater than the aggregate of the gold and silver of Great Britain, the United States, and Prussia. Her specie circulation amounted to \$700,000,000. Driven by the necessities of that war she has substituted paper money amounting to \$520,000,000 as a medium of exchange for the gold and silver formerly circulated, but with wise statesmanship she now maintains her present vast volume of paper money at or near par in gold. She has adopted another medium of exchange, but she maintains, in harmony with reason and experience, the gold standard of value.

All modern experience teaches the importance of the division of labor. Indeed, that is the favorite topic of every writer on political economy. Every man to his trade, and if the trade can be subdivided into many specialties, then every man to his specialty. I was in Mr. Gillott's celebrated manufactory of steel pens, and saw that the labor of thirty men and women contributed to the making of this implement. Each one was skillful in his part, and that part was perfectly done. The subdivision of labor and skill gave increased wages and value to the work of each laborer, secured a fortune to the owners, and a perfect pen to the world. The same law which demands a division of labor applies to professional and scientific pursuits. The law has many specialties. The honors of science are won only by those who devote their mental faculties to one branch of study.

The same law extends to all leading productions, as cotton, wool, wheat, corn, and gold. The purposes for which each of these commodities is best fitted are established by experience. In this way the experience of centuries in former generations established gold as both the standard of value and as the medium of exchange; but modern necessities have now established paper money, credit money, whether in the form of bills of exchange, checks, bank bills, or notes of the

State, as the best medium of exchange, leaving gold, however, as the best and only true standard of the value of all paper money, as well as of all commodities.

Now, it has often happened, not only in the United States, but in other countries, that credit money has proved worthless. This is an unavoidable incident of such money. So far as it consists of checks or like credits it must depend upon the voluntary contracts of individuals. Each person is at liberty to accept or refuse all such mediums of exchange, and if he suffers a loss by the failure of a banker or broker it is his misfortune, for which the Government is not responsible, and can give him no relief, except through the laws for the collection of debts. But a different rule applies to paper money issued by a State or by a corporation authorized by the State to issue money. Whether this money is a legal tender or not, it is, by usage and custom, money, and its receipt and payment are practically as compulsory as if it were gold coin. No man can refuse it unless he is a capitalist, who may resort to the law to enforce payment in legal tenders. The laborer must take it from necessity or get no employment. The merchant must take it or keep his goods. Usage in such matters is stronger than law. It is this kind of money that it is the duty of the State to protect from depreciation and loss. It must protect it by the best security possible, and that security in every well-ordered government is the "public faith." Upon this principle Great Britain, France, and the United States have founded their financial systems.

But another duty rests upon the government undertaking to issue, or to authorize the issue of paper money, and that is to maintain this paper money at the gold standard. Great Britain and France recognize this duty, and perform it. The United States recognizes its duty, but does not perform it. Our currency is founded upon the public faith. The public faith of the United States is pledged to pay United States notes in coin. The national-bank notes are amply secured by bonds more than sufficient to redeem them in coin; and yet they are all depreciated; now at 10 per cent. discount, to-morrow at 11, and yesterday at 8. It is the depreciation of our paper money which is the standing reproach of our financial system, which lies at the foundation of all our troubles, and to remedy which is now the most important and difficult duty of Congress.

Mr. President, thus far my remarks are founded upon the experience of ages, applicable to all countries and to all commercial nations of our time. I present them now as axioms of universal recognition. And yet I have heard these axioms denounced in this debate as "platitudes," useless for this discussion in the Senate of the United States. The wisdom of ages, the experience of three thousand years, the writings of political economists, are whistled down the wind as if we in this Senate were wiser than all who have reasoned and thought and legislated upon financial problems—as if all this accumulated wisdom consisted of "platitudes" unworthy to influence an American Senate in the consideration of the affairs of our day and generation.

Sir, I do not think so. If we disregard these "platitudes," we only demonstrate our own ignorance and punish our constituents with evils

that we ought to avoid. I purpose now to pursue the argument further, and to prove that we are bound both by public faith and by good policy to bring our currency to the gold standard; that such a result was provided for by the financial policy adopted when the currency was authorized; that a departure from this policy was made after the war was over, and after the necessity for a depreciated currency ceased; and that we have only to restore the old policy to bring us safely, surely, and easily to a specie standard.

First, I present to you the pledge of the United States to pay these notes in coin "at the earliest practicable period." In the "act to strengthen the public credit" passed on the 18th day of March, 1869, I find this obligation:

And the United States also solemnly pledges its public faith to make provision at the earliest practicable period for the redemption of the United States notes in coin.

Without renewing the discussion in regard to the nature of these notes, or quoting the decision of the Supreme Court of the United States, or the declaration of the various acts of Congress from 1862 down, I rest upon this pledge of the public faith. Under what circumstances was it made? The condition of our currency, the obligation of our bonds, the nature of our promises, had been discussed before the people of the United States in the campaign of 1868; various theories had been advanced; and the result was that those who regarded the faith of the nation as pledged to pay in coin not only the bonds of the United States, but the notes also, prevailed, and General Grant was elected President of the United States. On the eastern portico of the Capitol on the 4th of March, 1869, he made this declaration:

A great debt has been contracted in securing to us and our posterity the Union. The payment of this, principal and interest, as well as the return to a specie basis, as soon as it can be accomplished without material detriment to the debtor class or to the country at large, must be provided for. To protect the national honor every dollar of Government indebtedness should be paid in gold, unless otherwise expressly stipulated in the contract. Let it be understood that no repudiator of one farthing of our public debt will be trusted in public place, and it will go far toward strengthening a credit which ought to be the best in the world, and will ultimately enable us to replace the debt with bonds bearing less interest than we now pay.

The Congress of the United States, in order to put into form its sense of this obligation, passed the act "to strengthen the public credit," and the last and most important clause of this act is the promise which I have just read, that these notes shall be paid "at the earliest practicable period" in coin.

What was the effect of this promise? Why, sir, I have here the daily register of the sales of our greenbacks in New York, because that is the legal effect of transactions in gold. We have called our false standard the true standard, by calling the dollar of our broken promises the standard of value, when every man of intelligence who bought and sold anything, even our own domestic products, knew that gold was the true standard, and measured our greenbacks by it. I have here the daily sales, and what do they show? On the day we made that promise, the 18th of March, 1869, the greenbacks, the notes of the United States, were worth  $75\frac{3}{4}$  cents in gold; or, in other words, gold was at a



premium of 32 per cent. That was the measure of the credit of these notes when we made this promise. It took nearly four dollars of greenbacks to buy three dollars of gold. What was the result? After you enacted that law pledging the faith of the people of the United States that you would redeem this promise—the value of your greenbacks advanced, not rapidly but gradually, and in one year, to within 12 per cent. of par in gold.

The causes of the rise are not material to my argument. The fact is, that in one year from the time that promise was made the value of our greenbacks was over 89 cents in gold. I have here the quotations of the 18th of March, 1870, which give gold at a premium of 11 $\frac{1}{8}$ , so that a greenback in market value was worth more than 89 in gold. Thus, in a single year, from the 18th of March, 1869, to the 18th of March, 1870, the credit of the United States rose, so that the barometer of the money market, which you can not control, measured the depreciation of your note at only 11 per cent., instead of 25 per cent. the year before.

Mr. President, we see, then, the effect of this promise. And I here come to what I regard as a painful question to discuss—how have we redeemed our promise? It was Congress that made it, in obedience to the public voice; and no act of Congress ever met with a more hearty and generous approval. But I say to you with sorrow, that Congress has done no single act the tendency of which has been to advance the value of these notes to a gold standard; and I shall make that clearer before I get through. Congress made this promise five years ago. The people believed it and business men believed it. Four years have passed away since then, and your dollar in greenbacks is worth no more to-day than it was on the 18th of March, 1870; and no act of yours has even tended to advance the value of that greenback to par in gold, while every affirmative act of yours since that time has tended to depreciate its value and to violate your promise.

Mr. President, these are simple facts, although it may be painful for us to discuss them. I do not say that Congress, in this matter, disregarded the will of the people, because there was a public feeling against any measure which tended to advance the value of the greenbacks to the gold standard. I am not complaining of Senators or Members who represent their constituents, but I do say that the fact stands out as clear as light, that the Congress of the United States which made this promise has done no single act the tendency of which even leads one to suppose that it will ever redeem its promise.

Sir, let us see what has been done. We have paid \$400,000,000 of the public debt, and we boast of it—of debt not due for years. We have paid to redeem that debt a premium of \$40,000,000. In other words, we have paid \$440,000,000 to redeem four hundred millions of debt not yet due, and we have not redeemed a single debt that was due in March, 1869; but, on the contrary, we have increased the kind of debts then due in greater proportion than the increase of our population. And, sir, while our promise did advance the credit of our bonds and of our notes alike, and while the execution of that promise as to our bonds has advanced our bonds to above par in gold, yet we have

done nothing whatever to redeem the second clause of that pledge; but, on the other hand, all we have done has been done with the intention and with the effect of depreciating the value of our notes.

I am not here to find fault with individuals; but I do say that the Congress of the United States in the measures which have been adopted has not done what it ought to redeem the pledge of the public faith to pay these notes in coin "at the earliest practicable period." Why, sir, at this moment we are living in daily violation of this pledge. I said a moment ago that instead of adopting measures looking toward specie payments we have increased the volume of our currency in every branch of it. Now let us see if this be true. I have here a statement taken from the official report of the Secretary of the Treasury of the amount of the currency on the 30th of June, 1869. I can not find a statement for the 1st of March, 1869, but it was the same, because it was fixed by law. I find that on the 30th of June, 1869, we had three hundred and fifty-six millions of greenbacks, the same amount that we had on the 18th day of March. That was the maximum amount, as it was supposed, fixed by law. When the act of the 18th of March, 1869, was passed, no one dreamed that there existed a power to issue forty-four millions more.

Our greenbacks were then \$356,000,000. On the 1st of January, 1874, according to the last statement of the public debt, they were \$378,481,339. We had, then, increased this form of our currency \$22,481,000. And that is not all. Since that time, and up to the 10th of January, according to a New York newspaper—and I suppose it is correct—I find that the amount of legal-tender notes outstanding increased to \$381,891,000, or an increase since the 1st of January of something like \$3,400,000, or at the rate of \$400,000 a day. Every dollar of this new issue of paper money directly tended to depreciate that outstanding, and was issued in violation of the spirit and the letter of the law of 1869. I am not now speaking of the legal power of the Secretary of the Treasury to make this issue, because I have already given my opinion fully on this subject in an official report, but only to call your attention to the fact that by our acquiescence we have actually watered, debased, and depreciated by new issues the very notes we promised to pay in coin at the earliest practicable period.

Nor is this all. Under authority clearly conferred by law on the Secretary of the Treasury, we have increased the fractional currency from \$27,508,928, at which it stood on the 30th of June, 1869, to \$48,554,792, or an increase of fractional currency of \$21,046,000. Again, sir, driven by a local demand which we could not resist, founded upon a palpable injustice growing out of the mistake of an officer of the Government long ago in the distribution of the national-bank circulation, we did authorize by law an increase of the bank circulation of the South and West to the amount of \$54,000,000. The amount of bank notes issued at the time we made this pledge was \$299,789,000; and to-day the amount outstanding is \$339,081,000, showing an increase in this kind of notes of \$39,300,000, or an increase in the currency since the promise to pay it in coin at the earliest practicable period, and all legal tender in effect, of \$82,827,000; and now this process of inflation

is going on daily, first, by the issue of the remainder of the forty-four million reserve, and secondly by the issue of new bank notes as banks are organized under the act of July, 1870; and yet there is a cry for more, more.

It is true that the bank notes could only be issued as the 3 per cent. certificates, another form of Government indebtedness, were retired. But, sir, at the time the law of March 18, 1860, was passed, it was just as well known as at a later period that these 3 per cent. certificates were a demand indebtedness which the Government was expected to pay at its pleasure and its will. The Government could have paid the 3 per cent. certificates at any time with the money that was used for paying the bonded debt of the United States, and thus have advanced toward a specie standard.

I am willing to take my share of the responsibility for results, for I certainly am guilty of aiding in the passage of the law to equalize the distribution of bank circulation under which there was an increase of bank-notes. I have no criticisms to make upon what was done by the executive authorities. What I say is, that Congress has not sufficiently kept in its view that obligation—approved by the people in 1868, and declared by Congress in 1869—that the United States would redeem, at the earliest practicable period, these notes in coin.

Now, sir, I ask, has it not been practicable at any time in the last four years to advance in some degree these notes toward the specie standard? My honorable friend from Indiana says that for the last four or five years we have had a time of unbounded plenty and great prosperity; we have built thousands and tens of thousands of miles of railroad; we have built furnaces; we have expanded our enterprises and proved our energy. All this we have done. We have gone through a period of prosperity almost unexampled; but it seems we never were prosperous enough during all this time, according to the Senator from Indiana, to fulfill any part of this obligation which we made on the 18th of March, 1869. Sir, when will it be practicable? Was it when the Treasury was overflowing and we were seeking new outlets, new modes of expending money, new modes of paying debts not yet due? When will it be practicable, according to the Senator's construction? I press that question upon him, not for answer now, but let him say to the business men of the country when it will be practicable to restore the gold standard. If it can not be done in seasons of plenty, of prosperity, of overflowing revenues, shall it be done in times of adversity and trial and tribulation? What condition of affairs would justify us in redeeming the sacred obligation which impels us to return to the specie basis at the earliest practicable period?

I am of opinion that at any time since the promise was made steps could have been taken to redeem it, and that now, under the pressure of panic, when debts are greatly diminished, is a favorable time for entering, by decisive measures, upon the policy of resumption. But I suppose, according to the Senator's ideas, we are to issue more paper money, make more good times, start the ball of inflation, with a view that some time, may be, in the dim future, we will undertake to perform our promise.

But now let us come to the specific question of the time for redemption. Shall the redemption of this pledge be postponed until the public debt is paid? Why, sir, one tenth of the money we have used to pay the public debt not due would have brought us to a specie standard. No one supposes that under an ordinary state of affairs the currency of the country—the greenbacks—need be reduced below three hundred millions in order to bring us to a specie standard. I have heard some of the ablest and most experienced business men of the country declare that, whenever the right to convert greenbacks into gold or its equivalent should be secured so that prudent men would see that the Government had the power to maintain its specie standard, there would be no reduction of the currency to any appreciable extent. But, whether that be so or not, no one has claimed that the amount of greenbacks need be reduced below \$300,000,000 in order to bring that remaining \$300,000,000 up to the standard of gold. That would be a reduction of \$56,000,000. Fifty-six millions of the money that we have applied to the payment of debt not yet due would have brought all the remaining greenbacks up to par in gold, would have made our bank notes convertible into the standard of gold, and we should have had, almost without knowing it, specie payment—a solid, safe, and secure basis. The \$40,000,000 of greenbacks we paid as a premium for our bonds would have accomplished this result. Thousands of men who have been ruined by the false ideas that sprung from this fever-heated, depreciated paper money would be now useful, able, and successful business men, instead of having been ruined by bankruptcy.

Sir, we gain nothing by postponing the fulfillment of our promise with a view to reduce the public debt. We have to pay the debt in coin anyway, and the same coin that pays it now would pay it after our currency had been restored to par. If the old idea of Mr. Pendleton had prevailed, that these bonds should be paid in greenbacks, then there would be a motive for us to depreciate the greenbacks in order to pay off our bonds at the cheapest rate. But this promise to pay in coin extended to the bond-holder. We promised to pay the bond-holder gold for his bond and the people gold for their greenbacks. We have fulfilled our promise to the bond-holder. We have paid him in gold. We have bought the gold. We have paid him at a premium of 10 per cent. on our currency. Not a single effort, not a single measure, has succeeded in either House of Congress that looks to the redemption of the promise to the people who hold these greenbacks, which measure their daily toil in their productive avocations. We can not postpone this obligation until the payment of the public debt, because, although we have rapidly advanced in the payment of the public debt, it will be many long years before that "consummation devoutly to be wished" will be reached.

Shall we postpone the redemption of our greenbacks until we can accumulate enough gold in our Treasury to pay them? We know the effect of that policy. Any attempt to accumulate great masses of gold in the Treasury will not only excite popular opprobrium, by holding idle in the vaults of the Treasury money that ought to draw interest, but it will create a stringency in the gold market. It will advance the

value of the very thing we wish to get. Accumulate gold in great masses, and it will advance the price of gold all over the world. We could not now, with all our teeming productions, draw to this country \$200,000,000 in gold without disturbing the Bank of France, the Bank of England, and all the money centers of the world. Therefore the idea of postponing the day of specie payments until we could accumulate enough gold to redeem the greenbacks would be the idlest, vainest delusion and the most foolish hope.

What then? Shall we postpone the payment of our notes in coin, shall we put off the fulfillment of our promise, until the mysterious "balance of trade" is in our favor? There never was a greater humbug in the world than this idea of the balance of trade. Why, sir, the balance of trade is now largely in our favor, and according to this theory we ought now to be prosperous and happy. The balance of trade is in our favor; our exports exceed our imports; we ought now to be supremely happy. But a year ago the balance of trade was \$100,000,000 against us. We sent our exports to Europe, it is true; but we imported silks and satins and wines. All the luxuries of the Orient, all the rich goods of every clime, came pouring into this country. The balance of trade was against us; and yet, according to the argument of my friend from Indiana yesterday, the last two or three years, when the balance of trade was against us, was a happy time, halcyon days, when we had prosperity in all branches of industry, and were building many thousands of miles of railroad every year.

Mr. President, this fallacy of the balance of trade ought not to enter into the calculations of prudent men. When the balance of trade is in our favor, it indicates thrift and economy. It shows we are exporting our surplus products and getting a fair price for them, and taking solid gold or paying debts in exchange for them, instead of taking silks and satins. But this is not conclusive evidence that when we are importing more than we are exporting we are necessarily carrying on a losing trade. These imports may be, in actual wealth-producing property, such as capital, machinery, or the like, more valuable to us than the burden of the interest we pay on the balance of trade. The whole theory depends upon the nature of the imports for which we run in debt. In this respect the balance of trade is precisely like the balance of trade between the merchant and the farmer. If the farmer buys less than he sells, he is surely on a safe footing; if he buys more than he sells, the result will depend entirely upon what he buys, whether luxuries consumed in the using or materials for actual productive improvements on his farm. If the latter, he is prosperous and happy, though "the balance of trade" may be against him. It is not a question of "balance of trade," but a question of prudence and judgment in the trade itself. Only a year ago I had a controversy with a fellow-Senator, who is now present, about this balance of trade. He insisted that when the balance of trade was against any nation it was an evidence of decay. I said this was a fallacy. He replied that no country could be prosperous unless the balance of trade was in its favor. I asked him if he thought Great Britain was a prosperous country, and he said it was a very prosperous country, and that the

balance of trade was always in favor of Great Britain. We made a friendly bet on the subject, and it turned out that the balance of trade was against Great Britain to the tune of over \$300,000,000 per annum, and had been for twenty years. By the fallacious theory of the "balance of trade" Great Britain was on the high road to ruin. Yet the whole of this balance of imports was in commodities sent to pay interest on English investments in foreign countries—profits of trade, and so forth. The profits of the trade were all in favor of Great Britain, which imported raw articles and exported high-priced productions, while the balance of trade only represented increased and increasing wealth, instead of ruin and poverty; so that all this talk about the balance of trade is the sheerest nonsense.

Sir, there is no time unfit to fulfill a sacred obligation, and there has been no day since this obligation was declared by Congress when we should not have directed our attention toward redeeming it. The only question for Congress is to say with what rapidity it will advance toward specie payments. When you tell me you have the right to choose the time and the occasion, I say you have done nothing. You have buried your talent and are an unfaithful steward. I ask the honorable Senator from Indiana what single act of Congress, since this pledge was made, has even tended toward specie payments? Let him look over the statute-books, examine them all, and he will answer, none. I have sought in vain for any legislation to show that Congress has been mindful of this obligation; I cannot find a single measure that even tended toward specie payments.

We are told that we are all for specie payments. Even my friend who now occupies the chair [Mr. Ferry, of Michigan] tell us he wants to issue one hundred millions more of paper money to prepare us for specie payments. He looks to specie payments as the ultimate result of his one hundred millions. We are all for specie payments some time, may be. We are not in favor of it in times of plenty. We are not in favor of it in times of great prosperity. We are not in favor of it in view of the panic. When shall we be in favor of it? That is the question that Senators ought to be prepared to answer to the business men of this country. There is not a man who buys and sells, who deals in exchanges, a banker or a broker, but measures daily the depreciation of your notes. He is compelled to take them, and he eagerly asks you, as you have promised to redeem them at the earliest practicable period, if you cannot fix the time, to state under what circumstances, under what condition of trade, under what condition of plenty, under what condition of surplus revenue, you will pay them.

The very uncertainty of such an obligation, as it is now construed, would prevent the richest man in the city of New York from borrowing a dollar upon it. Mr. Astor, with his untold wealth, could not borrow a thousand dollars of any gentleman who now hears me upon a promise so vague and indefinite as you seek to make this. And yet the people of this country have been compelled to submit to a forced loan, and the business men of this country are compelled to take such paper as the standard of their values and of all values, when no living

man can guess the time when, or the circumstances under which, this promise will be redeemed.

I say, therefore, that if the ideas of these gentlemen are to prevail in the Senate, they ought to tell the country when and under what circumstances they will redeem this promise. I say to Senators that if now, in this time of temporary panic, a great part of which, as I shall show you, has already passed over, we yield one single inch to the desire for paper money in this country, we shall cross the Rubicon, and there will be no power in Congress to check the issue. If you want forty millions now, how easy will it be to get forty millions again! If you want one hundred millions now, convertible into three sixty-five currency bonds, how soon will you want one hundred millions more! Will there not always be men in debt? Will not always men with bright hopes embark too rashly on the treacherous sea of credit? Will there not always be a demand made upon you for an increase? And when you have crossed the Rubicon and have fulfilled the pledges you have already made to the people of the United States, where can you stop? Where our ancestors stopped at the close of the Revolution; where the French people stopped in the midst of their revolutionary fervor!

Sir, I regard it as the proudest achievement of the American people that so soon after the war they so faithfully and honorably redeemed their obligation to the bond-holder. I demand the same honorable fulfillment of your promise to the note-holder. Now is the time to make the stand, not only to prevent any further violation of law and of our promise, but to retrace our steps and to give some decisive token that you will pay our paper money in coin, as we agreed to do.

This is all I desire to say in regard to this pledge of the public faith. But I wish to go a little further. I wish to show you that the policy of the country, adopted at the time these notes were issued, contemplated that they should be maintained at par in gold; that that policy was only temporarily abandoned under the pressure of war. The act of February 25, 1862, is the fundamental constitution of our present financial system. It was passed after the greatest deliberation in both Houses of Congress. It contains every principle and element of our whole financial system. There is not an idea advanced during the war that operated successfully that is not contained in the act of February 25, 1862. That act provided for the issue of five-twenty bonds; it provided for the issue of the greenbacks; it provided for the issue of certificates of indebtedness; it provided that your internal taxes should be paid in paper money and that your duties should be paid in gold; it established your sinking fund; it secured the interest on the public debt always to be paid in coin; it set aside the coin from customs duties to pay it. That act provided that the greenbacks issued under it should be maintained at as near par in gold as possible during the war, but at all events at par with the best bond that could be issued by the Government of the United States. I will ask the Secretary to read the stipulations that were made in regard to these notes. They will show how sacredly the notes were regarded and how carefully their security was watched.

The Chief Clerk read as follows :

And such notes herein authorized shall be receivable in payment of all taxes, internal duties, excises, debts, and demands of every kind due to the United States, except duties on imports, and of all claims and demands against the United States of every kind whatsoever, except for interest upon bonds and notes, which shall be paid in coin, and shall also be lawful money and a legal tender in payment of all debts, public and private, within the United States, except duties on imports and interest as aforesaid. And any holders of said United States notes depositing any sum not less than fifty dollars, or some multiple of fifty dollars, with the Treasurer of the United States or either of the assistant treasurers, shall receive in exchange therefor duplicate certificates of deposit, one of which may be transmitted to the Secretary of the Treasury, who shall thereupon issue to the holder an equal amount of bonds of the United States, coupon or registered, as may by said holder be desired, bearing interest at the rate of six per cent. per annum, payable semi-annually, and redeemable at the pleasure of the United States after five years, and payable twenty years from the date thereof. And such United States notes shall be received the same as coin, at their par value, in payment for any loans that may be hereafter sold or negotiated by the Secretary of the Treasury, and be reissued from time to time as the exigencies of the public interests shall require.

I have had this clause read to show you that the foundation of the greenback was coin. Although it could not at the moment, during the war, be converted into coin—for the wants of the Government were greater than all the coin of the United States, or perhaps than all the coin of the world, attainable during war—yet the Government based the whole upon coin. Every bond that was issued was issued only upon the sacred pledge contained in this act that the interest of that bond should be paid in coin; and the principal should be paid, when due, in coin. The fifth section of the act provided that all duties on imported goods shall be paid in coin; and that this money shall be set aside as a special fund to pay the interest on the bonded debt in coin. Then, in order to secure the greenbacks, it authorized any holder of greenbacks to pay any Government debt with them; it authorized the holder of greenbacks to pay any debt, public or private, with them; and every citizen of the United States was bound to take them. Then it authorized them to be converted into six per cent. bonds of the United States, payable, principal and interest, in gold. If the policy provided for by this act had been maintained, we should long since have arrived at specie payments, without any serious disturbance of our monetary affairs.

Now, Mr. President, I proceed to show the Senate how this provision, the convertible clause of the act of February 25, 1862, was repealed. On the 3d of March, 1863, Congress passed "An act to provide ways and means for the support of the Government." This act was passed during the dark hours of the war. The currency of the country did not flow into the Treasury rapidly enough to pay our army. I remember that at about the time this act was passed there were very large unpaid requisitions. The Secretary of the Treasury, instead of issuing any more six per cent. bonds, desired to float a ten-forty five per cent. bond; in other words, to reduce the burden of interest upon the public debt. At this time there were three hundred millions of circulation outstanding; and with all the rights and all the privileges conferred upon the greenbacks, they did not flow into the Treasury fast enough to furnish means to carry on the operations of the war. The Secretary reasoned somewhat in this way: he said that the holder



of greenbacks had the right to convert them at any time into bonds bearing six per cent. interest; but as that right could be exercised at any time, the people were apt to postpone the exercise of it, and he believed it would advance the conversion of these notes into bonds by taking away the absolute legal right to convert. In other words, the suspension of this convertibility clause was passed with a view to promote conversion; and, if possible, to reduce a conversion into a five per cent. gold bond instead of a six per cent. bond. When the Secretary of the Treasury presented this view to Congress he was at once met with the pledge of the public faith, with the promise printed upon the back of the greenbacks that they could be converted into six per cent. bonds at the pleasure of the holder; and it was urged that we could not take away that right. This difficulty was met by the ingenuity of the then Senator from Vermont [Mr. Collamer]. He said that no man ever exercised a right which could not properly be barred by a statute of limitations; and if this right was injurious to the people of the United States, and prevented the conversion of these notes into bonds, we might require the holders to convert them within a given time; that we could give them a reasonable time within which they could convert the notes into six per cent. bonds, and after that take away the right.

The act of March 3, 1863, was amended by inserting this clause:

And the holders of United States notes, issued under or by virtue of said acts, shall present the same for the purpose of exchanging the same for bonds as therein provided on or before the 1st day of July, 1863; and thereafter the right so to exchange the same shall cease and determine.

In reviewing the history of our times I am not sure but that in this we made a mistake. I am not sure but that it would have been better to submit to any sacrifice rather than palter with the public faith. If there was any wrong done by Congress at that time, I am willing to share the responsibility of it, although I felt at the time the danger of the measure. But, sir, under the pressure of war we could not consider as carefully as we can now all the obligations that rest upon us. The life of our country was at stake; every man's property was felt to be insecure if the Union was destroyed; everything was imperiled; and we did a great many things in those times of peril and excitement and trial that we would not like to do now. Thousands of men rushed to the battle-field and surrendered their lives; others gave up their property; mothers their children. There were acts of heroism done at those times, and sometimes acts of wrong.

I am willing to take my share of the responsibility for the passage of this act; but theorists can demonstrate very easily that in this very act we laid the foundation of the long delay in the return to a specie standard. If the right to convert greenbacks into bonds had been retained as the permanent policy of the country during the war, then no man would have been bold enough or bad enough to take that provision away in time of peace. But mark, sir, while the legal right to convert notes into bonds was taken away, no one contemplated a denial of the actual conversion. The notes were still received par for par for bonds during the war and after the war was over. The right to convert them into a particular form of bonds, that is, the five-twenties,

was denied ; still they were converted at par into seven and three-tenths Treasury notes, into ten-forty gold bonds, and into every form of security except only the five-twenties. So that although we repealed the technical right to convert after a given time those notes into one class of bonds, we never did deny in practice the right to convert them into some form of interest-bearing security.

After the passage of the act of March 3, 1863, Secretary Chase believed that he could negotiate a ten-forty loan, and he tried to do it. One hundred million dollars were taken, and they were taken by the conversion of these notes, which were received at par. Afterward we issued \$830,000,000 of three-year Treasury notes bearing 7·3 per cent. currency interest, and when due convertible into 6 per cent. bonds ; and they were sold at par in greenbacks. So that although the legal privilege of the note-holder to convert was taken away, yet in fact his right to convert existed except as to the five-twenties bonds. During the war, and up to 1866, there was no hour when any holder of greenbacks could not present them to the Treasury of the United States, or to any banker or broker, and buy some form of United States interest-bearing security at par. After the passage of this act the five-twenties began to rise above par in currency. Then the measure of the value of the greenback was the ten-forty bond. When the Government, fearing to issue a larger amount of gold-bearing bonds, again began to issue currency securities, seven and three-tenths notes, the greenbacks were received at par for them.

Now, Mr. President, I have shown that the greenbacks were based upon coin bonds ; that the holders had the right to convert them into coin bonds ; that that right was taken away as to the five-twenties bonds ; but that, in practice and in effect, the greenback was convertible into an interest-bearing bond of the United States up to 1866, and until the passage of the law to which I will now refer.

My friend from Indiana [Mr. Morton] inquires what law is the worst of all the laws we have passed in relation to the greenback. In my judgment more evil effects have resulted from the "act of the Government" passed on the 12th of April, 1866, than from any other act that was ever passed in regard to our financial system. Indeed, it is the only one that I desire to criticise.

Mr. President, what was the condition of affairs when the war was over ? We had then outstanding every form of liability. We had six per cent. bonds ; five per cent. bonds ; seven-thirty bonds ; certificates of indebtedness ; and two or three issues of greenback notes ; we had eight or ten different forms of Government securities. Then it was that Congress was called upon to make provision for funding this debt. At that time there was a large circulation ; there were some forms of interest-bearing notes that were a legal tender for the principal ; we had almost every class of securities. The act of the Government which was most injurious to the public credit was an act of omission and not an act of commission. If in the first session of Congress during Andrew Johnson's administration we had passed a funding bill authorizing any holder of any form of Government security to convert it into a five per cent. bond, all the evils that have flowed out of our dis-

ordered currency would have passed away; the questions that afterward were raised to endanger the public credit never would have arisen; all this long agony of endeavoring to do what we have promised to do, and never performing it, would have been avoided. If in December, 1865, after our soldiers had returned to their homes and the war was over, we had authorized any holder of any form of security, greenback or bond, to convert it at his pleasure, at his will, into some proper security of the United States, say a five per cent. bond, there would have been no difficulty. The condition of the public credit, the advancing credit of the nation, the triumph of our arms, all causes coöperated; but, sir, it could not be done. At that time came up the controversy between the President of the United States and Congress, and the fierce and angry passions that it excited, the eager debates, the bitter excitement, the *quasi* civil war that existed, prevented any consideration of our finances. Efforts were made at that time to pass some proper funding bill, but it was impossible to attract public attention to it. Congress would not look at it. Finally, after a debate of not more than an hour in the Senate, and a short debate in the House, the act of April 12, 1866, was passed, conferring upon the Secretary of the Treasury a power that was never conferred upon mortal man before. I will ask the Secretary to read this act.

The Chief Clerk read as follows:

An act to amend an act entitled "An act to provide ways and means to support the Government," approved March 3, 1865.

*Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,* That the act entitled "An act to provide ways and means to support the Government," approved March 3, 1865, shall be extended and construed to authorize the Secretary of the Treasury, at his discretion, to receive any Treasury notes or other obligations issued under any act of Congress, whether bearing interest or not, in exchange for any description of bonds authorized by the act to which this is an amendment; and also to dispose of any description of bonds authorized by said act, either in the United States or elsewhere, to such an amount, in such manner, and at such rates as he may think advisable, for lawful money of the United States, or for any Treasury notes, certificates of indebtedness, or certificates of deposit, or other representatives of value, which have been or which may be issued under any act of Congress, the proceeds thereof to be used only for retiring Treasury notes or other obligations issued under any act of Congress; but nothing herein contained shall be construed to authorize any increase of the public debt: *Provided,* That of United States notes not more than \$10,000,000 may be retired and canceled within six months from the passage of this act, and thereafter not more than \$4,000,000 in any one month: *And provided further,* That the act to which this is an amendment shall continue in full force in all its provisions, except as modified by this act.

SEC. 2. *And be it further enacted,* That the Secretary of the Treasury shall report to Congress at the commencement of the next session the amount of exchanges made or money borrowed under this act, and of whom, and on what terms; and also the amount and character of indebtedness retired under this act and the act to which this is an amendment, with a detailed statement of the expense of making such loans and exchanges.

Under the enormous powers conferred by this act the Secretary of the Treasury, Mr. McCulloch, adopted what is called the contraction policy; that is, he authorized the funding of all forms of interest-bearing securities into six per cent. gold bonds of the United States,

while he proposed to raise the greenback up to par in gold by contracting it by gradual stages limited by the law. This act, and the very first thing done under it, separated forever the gold bonds of the United States from the legal tenders, and abandoned all idea of the power, the right, and the practice to convert the greenback into a bond. I remember that the honorable Senator from Michigan [Mr. Chandler] and I tried hard to prevent the passage of this law, and to attract public attention to it, but we could not. Everybody was then fighting Andrew Johnson. And so, sir, the law was passed after a brief debate, and all this enormous power was conferred upon the Secretary of the Treasury. The law did not even stipulate what the bond to be issued should be, whether it should be a forty- or twenty-year bond, or whether it should run five years. The only limitation was that the rate of interest on the gold bond should not be over six per cent., but no duration as to time was prescribed. Under that act the Secretary funded the Treasury notes, and all the various forms of interest-bearing notes, into six per cent. bonds, swelling the amount of our six per cent. indebtedness from about \$700,000,000 to about \$1,600,000,000. All the Treasury notes payable in currency were converted into six per cent. gold bonds, and the money of the people, the greenbacks, were left to be canceled and retired under the last clause of the act, which authorized the Secretary to cancel \$10,000,000 by a certain time, and \$4,000,000 in each month afterward. Thus the bond-holder was provided for, and the note-holder was left without any legal right except a naked promise to pay in the indefinite future.

If this act had contained a simple provision restoring to the holder of the greenback the right to convert his note into bonds there would have been no trouble. Why should it not have been done? Simply because the then Secretary of the Treasury believed that the only way to advance the greenbacks was by reducing the amount of them; that the only way to get back to specie payments was by the system of contraction. If the legal-tender notes could have been wedded to any form of gold bond by being made convertible into it, they would have been lifted by the gradual advance of our public credit to par in gold, leaving the question of contraction to depend upon the amount of notes needed for currency. Sir, it was the separation of our greenbacks from the funding system that created the difficulty we have upon our hands to-day; and I say now that, in my judgment, the only true way to approach specie payments is to restore this principle, and give to the holder of the greenback, who is your creditor, the same right that you give to any other creditor. If he has a note which you promised to pay and can not, and he desires to secure interest on that note by surrendering it for an interest-bearing security, why should you not give him the privilege? No man can answer that. It is just as much a debt as any other portion of the debt of the United States.

I have always insisted that it was the duty of the Government to redeem this broken promise by making the note equal to par in gold before attempting to force it on anybody in payment of a bond. We have no right to compel any holder of a bond to take a greenback in payment of his bond until we comply with that obligation which we

assumed, long, long ago, to make it equal to par in gold. Then it would be a matter of indifference whether a greenback or gold was paid. But, sir, it was the act of March 18, 1869, that settled all this controversy about the obligation of the Government to the holders of the greenback and the bond.

By the act of 1866 \$10,000,000 of greenbacks were to be retired in six months and canceled, and \$4,000,000 every month thereafter. Such progress was made under the operation of the act that within less than two years \$44,000,000 of these notes had been retired and canceled in pursuance of the contraction policy.

The act was then suspended; and the Secretary could not cancel any more notes after the passage of the act of 1868. But I ask whether that revives into life and being the \$44,000,000 that were retired and canceled under the law?

To the suspension act I heartily assented. I do not doubt at all that the policy of getting to specie payments by a contraction of the currency in the way proposed was a very unwise one. I aided in the repeal of the act of 1866. But that is not the point. When in 1869 we pledged the public faith to redeem our outstanding paper in coin, the only amount that then legally existed, or which there was any authority to issue, was the \$356,000,000, to which amount, by the policy of the law of 1866, the currency had been reduced when that reduction was suspended. The argument I make is that when we made the pledge of the public faith to redeem our notes in coin, the only currency that was legally outstanding was the \$356,000,000. All above that had been retired and canceled. If there are any words in our language that express the destruction, the annihilation, the non-existence of anything, the words "retired and canceled" do. They are the very same words that are used in regard to the cancellation of all our bonds. There have been \$3,000,000,000 of bonds in various forms "retired and canceled." Is there any power to reissue them? None at all.

The claim of the Secretary of the Treasury that he had the power to issue them was submitted to Congress, and neither House of Congress negatived by a vote the assertion of the power; and therefore it may be said with great propriety, and I freely accord, that under the circumstances, following the decision of the Department, the present Secretary might be justified in issuing them; but the argument I am making to-day is not to arraign the Secretary, not to find fault with him. In the written report made by the Committee on Finance on this subject we expressly relieved the Secretary of the Treasury from all fault in the matter, and submitted the matter to Congress. I say that Congress, by its silent acquiescence, now daily permits the violation of the only act that looked to the advance of greenbacks to par with gold. The Secretary of the Treasury submitted to us the claim that he has asserted and exercised, and it has never been denied by Congress or by either House of Congress, and therefore I do not find fault with him; but I say that Congress does permit this act, which in my judgment is a violation of law and an exercise of authority not delegated to the Secretary of the Treasury, to go on, and we are now daily living upon notes issued without authority of law.

Mr. President, I have gone into this argument to show, first, that we are bound by the obligation that we assumed on the 18th of March, 1869, to resume specie payments, or to do something to advance our notes to the par of gold. I have endeavored to show that such was the legal and established policy of the Government when the notes were first issued. Now, I have only to say, very briefly, that there are various modes, to none of which do I intend to commit myself until the whole subject is finally discussed, by which this can easily be accomplished. There are three modes that have been proposed in debate in the Senate, and a multitude come to us from the people, but I will group them into three classes.

There is, first, the proposition to accumulate gold in the Treasury with a view to the actual redemption of our notes in coin. This is supported by two bills now before the committee; one introduced by the Senator from Vermont [Mr. Morrill] and the other by the Senator from New Jersey [Mr. Frelinghuysen]. What are the objections to this plan? They seem to me to be these: In the first place, any attempt to accumulate large masses of gold in the Treasury, lying idle to await some future event not fixed by act of Congress, would not be a wise use of the public moneys. In the next place, I entirely object to conferring upon the Secretary of the Treasury the power of issuing one hundred millions or any less sum of 6 per cent. bonds with a view of buying gold to hoard in the Treasury to maintain resumption. I believe that it is impossible, in the very nature of things, to maintain the resumption of specie payments at all times and under all circumstances; and if anything has been established by modern experience, it is that all a nation that issues paper money can do is to maintain it at a specie standard in ordinary times; but in times of panic, such as by periodical revulsions come over every country, specie payments cannot be maintained. They can scarcely be maintained in England, and are not now maintained in France, although they are approached. Therefore, every plan for specie payments ought to have some provision for the temporary suspension of such payments, or to provide some means by which in times of great panic and financial distress there may be a temporary departure from the specie standard. I say this, not that it ought to be so, but simply because it is a matter of experience demonstrated by the history of almost all the commercial nations of Europe.

The second plan is the actual payment and cancellation of the United States notes; in other words, the plan of contraction. In the first place, this plan, while it operates, does so with such severity as, in a popular government like ours, to cause its suspension and repeal. Undoubtedly, the most certain way to reach specie payments is by retiring the notes that are dishonored, paying them off and taking them out of circulation. But the trouble is, the process of contraction is itself so severe upon the ordinary current business of the country that the people will not stand it; and in this country the people rule. The policy of Mr. McCulloch, already commented upon, if it had been continued further, would have undoubtedly brought us to a specie standard; but with great distress, great impoverishment, and with more difficulty than was really necessary to accomplish the object.

These are the difficulties that occur to me as against these two policies.

There is a third plan. This plan, which in my judgment presents the easiest and best mode of attaining specie payments, is to choose some bond of the United States which in ordinary times, by current quotations, is shown to be worth par in gold in the money markets of the world, where specie is alone the standard of value, and authorize the conversion of notes into it.

I do not intend to consume much time in the discussion of these different plans, because they are all open for debate, and I do not intend to commit myself. I have no pride of opinion as to modes if I can secure the substance. I want to get at some measure which, without contraction, without undue distress, will make us redeem our promise. This mode of reaching the specie standard was reported favorably by the Committee on Finance at the last session. I will glance at the results that would have been accomplished by that plan in the present condition of our money market. I am speaking here now, on the 16th day of January, 1874, after the time when, by the bill reported at the last session, United States notes would have been converted into coin or bonds at the option of the United States. This would not to-day have produced absolute payment of the notes in coin, but their value would have advanced to the value of the 5 per cent. bond. Things equal to the same are equal to each other. Five per cent. gold bonds this day, in the midst of the panic, are worth ninety-nine and a half cents; so that the United States notes would be this day practically at par in gold, having just about the same depreciation as now exists in France, where the law of convertibility has always been maintained. In France, with a large circulation, the currency may be used the same as gold to pay for any form of debt of or to the Government, even when in the form of duties.

I have no doubt that it would greatly advance our greenbacks if they were allowed to be received at the custom-house for duties. But by the act of the 25th of February, 1862, which authorized the issue of both bonds and greenbacks, it was expressly stipulated that the greenbacks should not be receivable for customs duties, but that the customs duties should be paid in coin, and that the coin should be specially pledged and set apart as a fund first to pay the interest, and then the principal, of the debt. There is the difficulty. If we were now to legislate without any law upon the statute-book, I certainly should not pass an act that would require us to refuse the notes of the United States for the taxes payable to the United States; but we are crippled by the operation of a law which we cannot repeal without violating the public faith.

Now, sir, taking the case again of the existence of some convertible provisions such as that I referred to in the bill of last year, at this day the notes, instead of being hoarded, would to some extent have floated into the Treasury for five per cent. bonds; they would be paid out for current expenses, and in the purchase or redemption of five-twenties at a discount of one half of one per cent. It is sometimes said that these notes would flow in unmeasured amounts for five

per cent. bonds. Why, sir, how many would be withdrawn from the volume of the currency before they would be equal to the five per cent. bonds now at or near par in gold? But suppose they should flow in to the extent of fifty or one hundred millions, can not the Government of the United States use them? First, we have to pay our current expenses, which are now more than our income. Instead of consuming the forty-four million reserve, we could use to pay the current expenses some of the notes which would come into the Treasury for bonds; and we could use all of them in the purchase and redemption of the six per cent. bonds of the United States. There would be no practical difficulty in using all the currency that might flow into the Treasury in the payment and liquidation at a slight sacrifice of a debt now bearing six per cent. interest. That operation might go on until \$1,200,000,000 were paid, because every dollar of the five-twenty bonds is now due and payable at our pleasure in coin.

Sir, the Secretary of the Treasury has for years pursued the policy of buying bonds in greenbacks. He has paid ten per cent. premium, because he could not get them for less. And suppose our notes were advanced near the par of gold by being made convertible into a five per cent. bond, the value of which is fixed in foreign countries, he might then use the greenbacks that would flow into the Treasury to pay the six per cent. bonds, by paying the difference between notes and gold. What premium would he have to pay? One half of one per cent. This operation of funding the six per cent. bonds into the new five per cents is going on now at an expense of nearly two per cent. to the Government. First the law allows one half per cent. for expenses, and then a certain credit or delay in payment is given to the syndicate of bankers who negotiate the exchange. This is equivalent to one and one half per cent., so that we are now carrying on this funding system at an expense of at least two per cent. Sir, the practical operation of a law permitting the conversion of notes into bonds would not only advance our notes to near par in gold, but would enable us to reduce the interest on the whole mass of six per cent. bonds of the United States to five per cent., thus saving \$12,000,000 per annum, or several times the amount of interest we would pay on the bonds given for notes permanently retired.

Now, sir, I will not go into the details of the other provisions of that bill, which was intended to supply any want of currency felt at the time. That bill provided for free banking, and for a relief from the reserve required to be maintained by the banks as a security for their notes. Sir, if you take the actual facts as they have now developed themselves and apply the principles contained in the bill of the last session, it would have answered by its actual workings all the objections that were made to it, and I defy Senators to criticise it. But, sir, the time will come when whatever plan may be brought before the Senate will be subjected to amendment and criticism. We are not now considering any plan, but only whether we recognize our obligation now at this session to do some definite act to redeem our broken promises. If you will you can find a way.

Mr. President, there are some objections of a popular character



made to specie payments which I think I ought to answer. In a popular government like ours even an unfounded fear ought not to go unheeded. Warnings are uttered; a great alarm is raised about every measure that tends toward specie payments. Let us examine some of these popular objections.

The first objection (and it is the only one well taken) is that specie resumption will be burdensome to debtors. Undoubtedly, if you enlarge the standard in which a man's debt is to be paid, you add to the burden of that debt. We are now dealing on a standard about eleven per cent. below the specie standard; and if, by some sudden act of Congress, a debtor should be required to pay in a standard worth eleven per cent. more than the present, it would be burdensome to him. Therefore, and for this reason only, it is necessary to make the advance slowly; and I for one would not desire to see any sudden resumption, because it would be injurious to a class of business men who are now more or less in debt. This injury is greatly exaggerated, for almost every debtor is a creditor, and therefore while he loses on the one hand he gains on the other. Debts are now less than they were a short time ago. The recent panic swept away a great many of them. Most of those which remain are being settled on the present basis, so that never was there a time when an act looking to a change of the standard of values could be made better than now. There are fewer contracts to be settled upon the old standard. If the time for making this change of standard is postponed for a short time, say a year, all the debts contracted on the present basis will be settled.

This is not the first time we have changed the standard. We did it in 1834; and we have changed the value of our gold coin twice within my recollection. We have changed the value of silver two or three times. The monthly fluctuations that sometimes occur in the city of New York are greater than the entire difference between our paper money and gold now. The people are used to these. Sir, you live in a State whose chief production is now, or was, wheat. You have seen the price of wheat jump up from fifty cents to a dollar a bushel, and go down from a dollar to fifty cents again—a fluctuation of 100 per cent. These fluctuations are unavoidable; but any change which affects the standard of all values ought to be made carefully and slowly. Here, Senators, is the only difficulty in this whole problem. When we made our notes a legal tender, when we repealed the convertibility clause, when we took away their value and let them depreciate to thirty-five per cent., we did great injustice to creditors. We did it because we were compelled to do it. All the Senators around me admit that at some time we must come to a specie standard. When can we do it more easily, when can we do it better? Will you flood the country with more irredeemable paper money, sink again the standard of value, make the depreciation greater than it was when General Grant was elected, thirty or forty per cent., and then resume? How foolish! how idle! The moment when we approach the specie standard nearest by natural causes, that is the happy moment to complete the cycle, to restore us to the old and true foundation.

The next objection is that the United States will have to pay inter-

est on a portion of its debt which now bears no interest. I have heard that argument made, I think by my friend from Indiana. He has said, "You would make us pay interest on our greenbacks; they will be converted into interest-bearing bonds." Why should we not pay interest on our debt that is due? Why should the people of the United States have a forced loan which they require everybody to take, debtor and creditor, without interest? Why should they not pay interest on it? If these notes are idle in the hands of the people and there is no opportunity for investment, why should we not pay interest while the people do not want to use them? It is perfectly obvious that the strongest considerations of equity demand that when anybody has our note not bearing interest, and has no immediate use for it, but prefers to put it on interest, we are bound either to pay him, as we agreed to pay him, in coin, or to give him something that will bear interest, and will be as near as practicable to a specie standard. Therefore, this fear of increasing our interest-paying debt does not disturb me. We have in the last five years paid off four hundred millions of bonds, and have saved interest to the amount of \$30,000,000. No one has claimed that the interest on the debt of the United States would be increased by this system more than two or three millions. Why should we not do it? Why should not the people who hold the greenbacks have the privilege that is extended to other creditors?

A third objection made, I think, by my colleague, who is not now in his seat [Mr. Thurman], was that the United States notes would be retired from circulation and give place to bank notes, and he has a great prejudice against bank notes. I am not much of a bank man myself. I would not care if there were only one form of circulation in this country, and that a United States note convertible at the pleasure of the holder into a proper bond, or into coin. But the national banks sprang out of the necessities of the war. We could not absorb the State banks and get rid of the horde of irresponsible banks issuing inconvertible and irredeemable paper all over this country, except by allowing them to be organized into national banks. We can not get rid of them now. That was the only way in which they could be dealt with. They disturbed during the war our whole system; but now that the present banking system is so much better than the old, the currency so good, so well secured, of such universal circulation, and everywhere at par with greenbacks, nobody would propose to go back to the old system.

Mr. President, as these banks are compelled to redeem their notes in greenbacks, as they are bound to maintain in their vaults a reserve of greenbacks, and as every prudent banker will maintain this reserve in greenbacks, there is no danger that the United States notes will be driven from circulation to give place to bank notes to any considerable amount. The provision for the redemption of United States notes is applicable also to national-bank notes. If the United States redeem its notes in coin, the banks must redeem theirs in coin. If the United States notes are redeemed in United States bonds, the banks are compelled to redeem their notes in the same way. The very moment that a bank note fell below the value, the purchasing power, the convertible

power of the United States note, it would be returned first to the bank, and in case of its failure to pay then to the Treasury of the United States, and there, with the bonds in the Treasury or with the proceeds of them, the Treasurer would pay them dollar for dollar. So that the same plan of redemption that we now propose to apply to United States notes is applicable by existing law to the bank notes; and hence the theory that this plan will drive out the United States notes and give way to bank notes is utterly false. The same obligation to redeem its notes which now rests on the United States will then rest on the banks; and, as I said a moment ago, you are now dealing with institutions that are amply able to redeem their notes. Whether any of them have in the speculations of the past impaired their capital or not, is a matter of perfect indifference to the people of the United States so long as the notes are secure. You can present no plan of redemption which the banks are not able at this moment promptly to comply with. If your law requiring the banks to redeem either in coin or in bonds of the United States should take effect, every bank has these bonds and 10 per cent. over. Therefore this plan of redemption applies not only to the United States notes, but to the banks under existing law; and it is not necessary even to change the law to make it more rigorous or direct.

Sir, the last objection to this plan is that it will contract the currency. That is the image of alarm that came to us from the experiment—as I thought, the bad experiment—of 1866. My honorable friend from Indiana seemed to think it was some terrible thing. The people are afraid of contraction. I do not want to contract the currency. But what is contraction? Is it to fulfill an obligation to pay a note when it is due; to pay in coin when you have promised to pay in coin? I do not think that is contraction. I honestly believe that if there were now agreed upon a plan of redemption by which notes could be converted into coin or bonds at the pleasure of the holder, and all restrictions upon the volume of the circulation were repealed, the amount of currency thus raised to par with gold would be greater than it is at present, and its purchasing power would be 11 per cent. more. The people, in the Western States especially, have been very fearful on this point, although they are now getting bravely over their fears. Look at the reports of their chambers of commerce, their boards of trade; see the intelligent opinion that comes up from the Western States. The people of the West were terribly alarmed about contraction of the currency, but they begin to understand it. The laboring man who is paid off in a greenback begins to desire that that greenback may buy as much food and clothing and produce as the best dollar ever coined by the mint. He begins to understand that he receives that for his daily labor which will not purchase for him the supplies that gold would. The farmer, also, who sells his produce mostly to a foreign market, finds that, under this system, when he is paid in greenbacks, he has to pay greenback prices for his purchases, while his commodities are settled for by the gold standard.

And, sir, I can here show by the actual returns compiled by Mr. Young, of the Statistical Bureau of the Treasury Department, that

although the price of greenbacks fluctuates, as compared with the gold standard, yet the articles which the farmer sells depend almost entirely on the gold price and their price is fixed by the gold standard. Wherever he sells his surplus products, the ruling price in the foreign market fixes the prices of his commodities here. The price of the farmer's produce is fixed by the gold standard, and was during all the war, and is to-day, and will be to-morrow. His price is controlled by the gold standard, while the price of all he buys is fixed by the currency standard.

The people are beginning to understand that; and when they find out that "contraction," with all its terrors, means good money, convertible money, greenbacks convertible into gold, they will sound hallelujahs in favor of that kind of money. They now feel that the greenback money is a good money—as my friend from Indiana says, the best money that was ever devised by man. In many of its properties it is good money; it is of universal circulation, universal credit; it has a recognized value, determined daily by the quotations in New York; it passes readily from hand to hand. It is much better than the money of the old system. There is only one thing necessary to crown the perfect work of this money and make it the best in the world, and that is to make it equal to what it promises to pay. Then you will have good money, based upon the public credit, a note of the United States not dishonored, whose purchasing power is as great as the best gold that was ever coined by any mint, or ever mined in Peru, or Australia, or America; a money which will enter the markets of the world and buy its face value in the products of the world; a money which, if convertible into coin, will travel, like the Bank of England note, all around the world, buying in every mart and every community the productions of every clime. Sir, this is what we aim at, this is what we desire; and when the people begin to understand this question, and see that this cry about contracting the currency means nothing but an effort to stave off that which will inevitably come, which we have promised shall come, namely, a specie standard, they will then silence the demagogical clamor of the hour.

If a year or two ago, before this panic, you had convened your chambers of commerce and boards of trade and representative business men of the country, and submitted to them any proposition which looked to the advancement of the greenback to the standard of gold, they would have passed resolutions without number against it. But now they are all passing resolutions for it. Almost every one of them is opposing any increase of the paper money of the country. These documents in favor of specie payments from representative men could not have come here a year ago, led off by the great petition from the Chamber of Commerce of New York, presented a month ago. Sir, the people will soon reply to these popular objections.

We have had a great deal of talk here about the amount of currency we ought to have, and Senators have computed how much currency is required for each inhabitant, how much for every man, woman, and colored baby, how much for every child, how much for every bushel of wheat. They figure it out in some way that France and Eng-

land have more currency than we, and that, as no nation ought to have more of a good thing than the United States, we should have all that any other country has! That is the argument. They say, "We want more money." Well, in the sense in which money means capital, I think we all want more money. In the sense in which money is used as a mere medium of exchange to measure value, to pass from hand to hand, to facilitate commercial transactions, the only test and measure of the amount necessary is the amount which can be maintained at the specie standard; no other. You might as well say that a yard is not thirty-six inches long, and economize by using one thirty inches long; what would be the effect of it? It would take more yards of cloth to make a coat; but the coat would not cost any less. The amount of currency in Great Britain, in Bank of England notes, is £25,162,000; in notes of other banks of England, Ireland, and Scotland, £18,226,000; making a total of £43,388,000, or, in dollars, \$216,940,000 of paper money, as good as gold. That is enough to carry on all the business transactions of Great Britain.

But my friend from Indiana says Great Britain is a small country compared with the United States; it does not cover as many arid plains and deserts as the United States; it has not the area or the population of the United States. Sir, area and population are not the things that demand currency; it is business, wealth, production; and, although I wish it were otherwise, we can not, as yet, compare with the wealth or commerce of Great Britain.

The Senator from Indiana says that \$216,940,000 is only one form of money in Great Britain. So it is; but it is the amount of paper money that it undertakes to maintain at par in gold. A wise nation like Great Britain, with ample experience in all financial questions, which have been managed with great skill, and where more time is devoted to them in Parliament than in Congress here, has decided that it is not wise ever to attempt to circulate more paper money than can at all times be maintained at par in gold. It prohibits by law the issue of any more paper money. No new stock banks are organized, and the Bank of England can not issue one pound of paper money more than £15,000,000, the amount fixed by law thirty years ago, and such additional amount as is covered by actual gold on hand. Every dollar is secured by government securities or gold on hand.

Senators say that the Bank of England can issue in times of panic more than the amount allowed. It has done so at three exceptional periods of distress. But this did not cause a suspension of specie payments. When the Bank of England note is issued in excess of the legal limit it is done by order of the ministry, at their hazard, just as they would do any other unlawful act for the public safety. So careful are they that the amount is limited, say to £2,000,000, or \$10,000,000; securities are required, and the profit of the issue goes to the Government. The amount of notes issued by the Bank of England in excess of the legal limit was never more than £2,000,000 sterling, and in one case no notes were issued. The authority to issue arrested the panic. The issue when made was withdrawn and the old limit restored within sixty days. We in this country have increased our paper money in

five years more than \$80,000,000, and the Secretary of the Treasury during and since the panic has issued new paper money in volume fourfold the aggregate of temporary issues by the Bank of England since Peel's act of 1844.

But the Senator from Indiana says Great Britain has coin. So it has, and the reason why it has coin is that it has a use for it. So, if we were at the specie standard, coin made in our own country of the gold mined here would be kept here. It would have some useful employment. But, sir, one of the evil effects of a depreciated currency is to demonetize coin, to drive it out, because the poorer currency always fills the channels of circulation. Therefore it is that in the present condition of our affairs we can not keep in this country any considerable amount of gold, unless we hoard it in the Treasury of the United States. A private citizen has no use for it. He sends it abroad where they recognize its value, and use it in ordinary affairs. The gold of our country is hoarded by the Treasury; and so long as you have a depreciated currency one of the inevitable effects is to banish gold from the country, although it is our own production. We banish the product of our mines, the work of our hands, because we will deny the fundamental truth that gold mined from the earth is the standard of value. We have rejected the true god and set up an idol of our own; and thus what we ourselves produce is driven from our country. So it is with France. I have already given the amount of paper circulation there. The issues of the Bank of France were 2,606,377,000 francs, or \$521,275,000; and this is practically maintained at par in gold, as the Senator from Michigan [Mr. Ferry] very properly said.

Now, sir, when this cry is made for more money, I answer, yes; let us have more money, but let it be more good money, that will purchase what money in any other country will purchase. I want the best; and if my friends here really believe that France and Great Britain have, counting their gold, a little more currency *per capita* than we have, let me console them by telling them that if we come back to specie payments we shall have more good money, paper and coin together, than any country in the world. Now, at this moment, if you take our paper money and add it to the gold in this country, you will see that we have more *per capita* than any nation in the world. How much paper money have we? About \$772,000,000, every dollar of which is practically a legal tender. Although the bank notes are not a legal tender by law, yet we know they are in fact. We have to receive them *volens volens*. What other country has this amount? France has \$521,000,000 paper money. Great Britain has \$216,900,000 paper money. But they have more gold than we. Why? Because we banish it from our country. Who would keep gold now? Would a bank keep it? It is more dangerous to keep than paper money, because it is heavier and more difficult to guard. Would a merchant keep it? Yes, to the extent that he has to pay it to the Government for duties. The Government keeps it, and the amount that is owned by merchants is held by the Government in New York on gold certificates. So the Government is the custodian of all the

gold in the country banished from circulation. Take the aggregate of our currency, and we have more paper money *per capita* than any country in Europe has of paper and gold. Let me caution Senators in regard to their estimates of gold in foreign countries. In France it was estimated that there was \$700,000,000 of gold, and France was compelled to pay more than \$400,000,000 of this gold to Germany in the settlement of their difficulties.

The sum paid was \$1,000,000,000; but this was partly by credits and partly in gold. The effect of the German war has been that the gold of France has enormously decreased; no one can tell exactly how much is left.

I can show by English writers, and even by the declaration of the Chancellor of the Exchequer, that it is utterly impossible to tell how much gold there is in England. There are no returns that enable them to tell. It is kept by joint-stock companies, by the Bank of England, and by private persons. A great portion of the commerce of England being foreign commerce, great masses of gold in the coin of different countries are held by merchants. As to the precise amount, no one can tell what it is.

Add the estimated amount of \$350,000,000 of gold currency to the amount of their paper money. Take it as you claim it, and what does it make? Five hundred and sixty-six million dollars to do the business of that nation of thirty-two millions; while we have of inconvertible paper money \$770,000,000. Why therefore say that we have less money than England? Sir, we have more *per capita*.

There is also a large part of this country, the Pacific coast, where the currency is gold; so that that which is merchandise simply in the Atlantic States is currency on the Pacific coast; and in the city of New York and other ports of the Atlantic States a large amount of the business of merchants is transacted upon a gold basis, and in gold alone.

I have no doubt that the money now in circulation in this country is greater *per capita* than in any nation in Europe.

It is true, there is a considerable amount held by the banks as reserve. Much of that is, however, in the form of credits by deposit banks. But in England the Bank of England holds, and is compelled to hold, a large portion of the gold in England as a reserve. Every bank has to have a reserve. So with the Bank of France. There is a much larger percentage of reserve held in the Bank of France now than is held by the banks of the United States. Their reserve, if I remember aright, is about 30 per cent., whereas our banks average less than 20 per cent., and much of this is in credits. The Bank of England reserve is greater than ours, and Bastiat has written a book to show that it is too small.

As a matter of course, if you go into all the details about reserve you could never get the precise results. The truth is, there is no mode of testing how much money is needed to do the business of a country except that amount which can be maintained at par in gold. The very fact that our money is depreciated 11 per cent. is as conclusive as any sum in arithmetic can be that you have more money than can be maintained at the proper legal standard. You can not get around

that. There is but one standard, and every addition to the volume that can not be maintained at that standard furnishes conclusive evidence that there is too much money of that kind afloat.

My own impression is that a reduction in the volume of greenbacks of 10 per cent., the amount of their depreciation, would give additional value to the greenback, so that people can use it as gold, so that it will be equivalent to gold, and then the gold itself will become a part of the currency. It is probable the full amount of the present issue of legal tenders can be maintained if you will only give it an equal value with gold. When you make your paper money equal to gold it floats with gold and fills the channels of trade. In my deliberate judgment, in this country of broad extent, as my friend says, of varied population and varied productions, a larger amount of currency could be maintained at par in gold than the actual currency now in use. I have some statistics here, but I am too weary to go into them, which show what amount of currency we maintained at par in gold before the war, and by a comparison of our condition then and now I could estimate what amount can be maintained. But, sir, the only standard, the only rule, by which we can judge of the amount of paper money is that quantity which can be maintained at par in gold. If you declare illegal and invalid this standard, no man can tell how much circulation is needed. The only way is to test it by the barometer of New York. This is as sure a test as the instruments here around the Senate Chamber are tests of the heat of this room.

There is another class of measures now pending on which I wish to make a few remarks, and they are the propositions to inflate the currency still more. The process of inflation is now going on daily while we are debating. This surely ought to be stopped. This issue of the forty-four millions ought to be suspended at once. The payment of this money ought to be arrested and some other provision made to pay the ordinary expenses of the Government. The plan that I suggested a moment ago would do it, by authorizing the funding of notes into bonds. But there are other propositions. The Senator from Michigan proposes to issue \$100,000,000 additional currency, to require the system of banks now organized throughout the country to retire their circulation, and to issue an amount of greenbacks equal to the whole, aggregating \$800,000,000, and this, I suppose, in addition to the fractional currency; in other words, an increase of currency, including the forty-four million reserve, of about \$100,000,000. Will not the immediate effect of that increase be to depreciate that which is outstanding?

There is no doubt about it. Every addition to the currency does it. If I wanted to teach my friend this plain lesson in political economy I should have to read to him from the school-books used in every college, down to the last work on political economy. It is an axiom of political economy, which lies at its very groundwork and foundation, and is repeated by every author that ever wrote upon the subject. It is as necessary a consequence as that water will seek its own level. Any increase of paper currency tends to impair its value when it is once depreciated.

After the passage of the act authorizing this increase, the price of



gold steadily advanced and again commenced to decline. As a matter of course, if we could once fix the amount, we could no doubt come to it in time; but what assurance have we that, after you have issued your \$100,000,000, and gold goes up to 133, as it will, and then after the power of inflation has exhausted itself gold commences to go down, my honorable friend from Michigan, or some successor of his, will not come here and demand another inflation, and then say that the inflation will not, at the end of four years, increase the price of gold?

There is no mode of accounting for the fact that the value of our greenback has not advanced one single step for four years, except that you have increased the volume of paper and have taken no steps whatever to advance its value. As a matter of course, if you would maintain the amount of paper money at a certain rate for one hundred years till our country should contain three hundred millions of people, it would all be as good as gold; but if the Senate should follow the lead of my honorable friend and dilute the currency by putting water into the elements that now compose it, it would undoubtedly depreciate.

Senators, we have now arrived at a stage of our history where, if we will obey the law and keep the public faith, we shall surely come to that safety and prosperity which rest upon the universal standard of value—when industry will be rewarded, and not cheated by the depreciation of paper money. If, on the other hand, you will enter again into a depreciation of your paper money, adopting the cry of expansion, "more money," you will surely travel a road that many nations have traveled before, and which leads to bankruptcy and repudiation.

The Senator from Indiana says that the issue of paper money under the law of 1870, which conferred the authority to charter new banks, was not expansion, because by the same law the three per cents were retired. He construes, therefore, the law of 1870 as not inflating the currency at all. My friend from Michigan, I understand, regards it as expansion to the full amount of notes issued. I hope they will settle it between them.

There is another view I wish to take of this plan of expansion. If you issue the proposed three sixty-five convertible bonds, what will they be worth? I see here some New York bankers. They have computed the value of these bonds before they are issued. A five per cent. bond is now practically at par in gold. If a five per cent. bond is at par in gold, what will a three sixty-five gold bond be worth? Senators can answer that very quickly, because there is a reduction in value of one third to start with. If a five per cent. gold bond is only worth par, a three sixty-five gold bond would be worth only two thirds of par. Then, if a three sixty-five gold bond is worth sixty-six cents on the dollar, what will a three sixty-five convertible paper bond be worth? That query will be put to every broker and banker in New York the very moment you authorize such a bond to be issued. They will measure your device by the gold standard before you issue it. They will quote a bond convertible and reconvertible into irredeemable paper money at its value in gold.

But there is one other reason why all these schemes for more paper money ought not even to be debated here. An increase of paper

money beyond four hundred millions would be a clear and palpable violation of the public faith. In the darkest hours of the war, when every patriot trembled, when our fate hung in the balance, when our armies were before Richmond and on the march through Georgia to the sea, when everybody felt that the danger of inconvertible paper money was likely to strike us from the list of nations, when our paper money then outstanding had fallen so that it took \$2.80 to buy one dollar in gold, then it was that we entered into a stipulation with the public creditor, which is a part of the act of 1864, under which we borrowed money and pledged the public faith. It was a solemn promise that under no circumstances would we issue more than four hundred millions of paper money, and an additional reserve of fifty million dollars, pledged to pay a debt then existing, and which has since been paid.

It is suggested that this pledge was made under duress. No, Mr. President; the United States was never under duress except from the rebellion in the Southern States. Then we gave our sacred pledge to the men who helped us, to the men who loaned us money, to the capitalists, to the laborers, to the servants, to the women, to the children; yea, Senators, in every part of this broad land, in every county and every town, in every village and every hamlet, men, women, and children poured their little earnings into the stream that flowed into the National Treasury in the summer of 1864; and every dollar of the loan then made was made upon the faith of the sacred obligation of the United States that our paper money should never exceed \$400,000,000.

Sir, I trust in God the day never will come when we shall violate that pledge, until we make those promises equal to par in gold. I will not acknowledge, with my friend from Rhode Island, that we were under duress. Certainly we were not under duress from the men, women, and children who lent us money. They gave us the means by which we put down the people who were in arms against our Government, and, so help me God, I never will violate the faith pledged to them. The act of 1864 is known to every Senator. I will not read it. It is as plain and strong and clear as language could make it.

But, sir, we are told that to issue these three sixty-five bonds convertible into paper money will lower the rate of interest; and my friend from Indiana, with that happy faculty which he has of avoiding difficulties, asks when you have a great deal of money, and issue more, does not that cheapen it? Is not the right way to cheapen money to issue more of it? If you had a great abundance of any commodity to sell, would it not be cheaper? That is the argument. Well, sir, it will cheapen money to issue more. It will cheapen money as tested by the gold standard, and brokers will tell you every day how much it cheapens it. But whom will it benefit to cheapen money? It will aid a man to pay more cheaply a debt contracted upon a different basis, and to that extent will cheat the creditor; but it will not cheapen supplies, provisions, clothing, food. It may cheat the laboring man; for the laboring man may think it is the same money. He may take his two dollars a day just as he did before; but when he goes to spend those two dollars for the food that supplies his life, or for the clothing that

comforts his children, he will find that somebody else than the capitalist is cheated, and he is the one. Every device to relieve needy men in distress or in debt, that will depreciate the currency, adds to the daily toil of the laboring men, and to the cost of food and clothing. Why, sir, Mr. Webster never uttered a grander truth in his life than that famous passage, which I have almost forgotten, but the substance of which is that the best way to enrich the rich man's field by the sweat of the poor man's brow is by the use of inconvertible paper money. No truth was ever more forcibly uttered.

But they tell us that it will lessen the rate of interest. Let us see. This is a matter of experience. We have had a slight experience in this country, and we have had the experience of other countries, and the fact is just the reverse—the more money is depreciated the higher is the rate of interest. I have some knowledge of this by my own experience. I remember the panics that have occurred in this country since 1837. I recall to the recollection of my friend from Iowa what took place in his own State in 1857. I was in that beautiful State in the spring of that year. The people were rich, abounding in riches, fanciful riches; money was plenty. One man had made a profit of 100 per cent. on a piece of land that he had never seen and had owned but three months. Another had laid out a town and was selling lots at fabulous prices. Everybody was rich; paper money was abundant—wild-cat paper money; all kinds of money. Good money was there, too, gold as well as paper. Interest was 40 per cent., and many told me that they could make money by borrowing at 40 per cent. They offered to give me 40 per cent. for money to buy land with within five miles of a settlement. Everybody was rich; interest was high; times were glorious. In August the failure of the Ohio Life Insurance and Trust Company burst the bubble. The money that was loaned at that rate of interest was not paid, and the men who were engaged in these visionary speculations “went up the spout,” to use a common phrase. So it was in the panic of 1837. Upon this point I could read you what is said by Mr. Mill; but that is mere “platitude”; it is only the experience of the past, of men of a different day and generation. I could read you from many books. I could read you the story of the South Sea bubble, when securities went up and interest was 100 per cent. So in all times which precede a financial panic, when people think they are prosperous, and that they are making money by marking up their goods, interest is enormously high. Sir, the experience of mankind proves that interest is higher under a depreciated paper money than it is under a gold standard. Is it worth while to waste more time to show the utter fallacy of the allegation that more money would cheapen interest?

But it is said that the recent panic was caused by the want of money, by the want of more paper money. Paper money for what? To build remote railroads, to carry out schemes for the future, to engage in speculative enterprises. The money of the country and the capital of the country were absorbed in unproductive industry. Therefore it was that the blow fell and destroyed a great many good men. But how is it now? Why, sir, at this moment money is easier to be had in the city of New York than it has been for years, by persons who

are engaged in ordinary commercial business, where the circumstances that surround them inspire confidence and credit. The same money that was in circulation before the panic is in circulation now, and more. Sir, this is not a currency panic. It has no connection with our currency. Such panics have occurred in Great Britain and the United States in specie-paying times. It was simply caused by unproductive investments. The currency is good, only lacking one quality to make it better. If it were as good as gold, it would then be the best. It is well secured. Nor was it a bank panic, I will say, for the relief of my friend from Indiana; for I am glad to agree with him in one or two things. The banks have stood the panic very well. With the exception of four or five, the national banks have not failed; and not one has failed unless by a clear violation of the law of its organization. Not one that has been brought to my attention has failed except by the use of the bank by the owners in loans and investments prohibited by the national-currency act.

The suspension of payment of deposits was the result, not the cause of the panic. It was justified by the same circumstances that would authorize the increase of the amount of notes of the Bank of England in violation of law. The banks did suspend payments; and that only proved the truth of what I said a while ago, that no plan of redemption would be wise and good unless it has some provision for such panics. There must be times when banks are compelled to use their reserves and all their resources, and themselves borrow instead of lending, and provision should be made for such times. The banks did commit an act of justifiable bankruptcy when they refused to pay their depositors; but that was temporary—a bending before the storm. They rapidly gathered in their resources, as the Bank of England would under like circumstances, calling in their loans and denying loans to their customers, and are now in a stronger condition than ever. They now have a greater reserve than they had before the panic. Mr. President, the condition of our currency has no relation whatever to the panic that passed over the country.

At this time, when nearly all debts have been settled; when the panic has swept away many fortunes; when we now have all the money that was ever afloat; when confidence is restored; when the price of every commodity is advanced to the price it bore before the panic—now is the golden moment when we should take a step in the right direction to make our money equal to gold. I never have charged the panic upon the currency. Indeed I was the first in the midst of the panic to declare that the currency had no connection with the panic. The money was well secured; it was good, only that it was not so good as gold. That was the only fault to be found with it. Men hoarded it. That added fuel to the fire and fed the panic. Its origin, like that of the panic of 1866 in Great Britain, was in the absorption of capital in unproductive enterprises. The want of confidence created by the failure of great houses gave the first alarm; then came the withdrawal of deposits, the depletion and the suspension of the banks. Then laborers began to be discharged and productive industry stopped; but in a short time the ordinary business of the country was resumed, and

people found that they were not all ruined. It was the old, old story repeated periodically, arising from different causes, but having the same history and results. These panics are but the ebb and flow of great enterprises. They start with reviving prosperity; they grow with expanding hope and energy; they culminate with enterprises too great for the time, and the blind, unreasoning fear that springs from the failure of these enterprises during the panic does more harm and causes more destruction of values than the injury done by failures themselves. No action of ours can prevent these panics. All we can do is to improve the opportunity offered us to place the public faith of our country on an enduring foundation.

I again appeal to the Senate to now firmly take its stand against any inflation of paper money under any circumstances, under any provocation, or on any plea. This alone will do a great good to the country. But if it will go further—if the Senate will lead the way to some wise and practical measure, looking to a redemption of the pledged faith of the United States, the people we represent will have cause to be proud of the political body which they have so long honored. I believe, sir, that no act of the Senate would so much inspire confidence, strengthen our business men and revive our industry, as by a decided vote on these propositions to show that our firm purpose is to take the road that leads to specie payments and a restored currency.

Sir, I have been many years here and in the other House, through long and troublesome controversies, during peace and war, and I for one desire to see the work of our generation crowned by the greatest of civic triumphs, the fulfillment of every promise, and to behold the nation free from all dishonor, its promises good, its credit untarnished, its wealth and power increasing and expanding.

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## FREE BANKING—THE CURRENCY.

*IN THE SENATE, MAY 13, 1874.*

THE bill to amend the several acts providing a national currency and to establish free banking, and for other purposes, being before the Senate, Mr. Sherman said:

It is not my purpose, Mr. President, to open any general financial debate on this bill. Every topic embraced in the bill was very fully discussed during the early part of the session, and I should deem it a violation of my public duty to detain the Senate long on this bill. I shall confine myself to a simple, brief statement of its terms, without any attempt to discuss the various propositions contained in it.

The central idea of this bill, or rather of the substitute reported by the Committee on Finance, is to make the business of banking free to all on the terms and conditions and with the limitations and restrictions embraced in the general popular phrase "free banking." If the business of banking were confined simply to contracts of loan and exchange, there could be no objection to free banking. The busi-

ness would involve simply the relation of debtor and creditor, resting entirely upon contract and confidence, and needing no franchise, partnership, or corporation except such as is authorized by law or would be freely granted by any State to promote any business or any enterprise. But the term "banking" in common parlance includes the power to issue circulating notes to be used as money. This power is in no proper sense essential to the business of banking. If I had my way I would grant it to no State corporation and to no individual, but confine it solely to the United States and use it merely to facilitate domestic exchanges, and only to an amount that at any time could be converted into gold coin at the will of the holder. Such, I believe, was the design of the framers of the Constitution, who, fresh from the disasters caused by paper money, desired to cut up and supposed they had cut up this evil by the roots. The prohibition upon the issue of bills of credit by the States, fairly construed, prohibits the issue of paper money by a State or by any corporation authorized by a State, while the power of the United States to borrow money implies that this power must be executed by a contract freely entered into by two consenting parties, and payable alone in gold and silver coin.

If we were now in a condition to deal with this question solely upon principle, I would gladly join in prohibiting all paper money except such as might be issued by the United States for coin values and redeemable in coin only. But, sir, we must deal with this question as practical men. We know that during our whole history paper money has been issued by corporations, that the business of our people has been founded on it, that it has proved a convenient agency in developing our resources; and that, whatever theory may prevail, in practice some form of paper money has been and will be used in the United States under the authority either of the United States or of the States. We now have nearly two thousand banks authorized to issue \$354,000,000 of paper money. Shall the restriction upon the amount be now repealed and banking be made free to all? Section 4 of the substitute contains a repeal by name and description of every clause in the banking law which limits the amount of circulating notes. The first act of 1863 and that of 1864 limited the amount to \$300,000,000. In 1870 the limit was extended to \$354,000,000. This bill proposes to repeal the restriction upon the amount of bank circulation that may be issued, provided the banks will comply with the terms of the banking law.

The first objection to free banking without coin redemption is that it is a novelty; an experiment, which, though plausible, will endanger the whole system. Other systems of free banking are based entirely upon coin redemption. There is no system of free banking in the world that I know of under which the currency is not redeemable in gold and silver coin. Consequently, we meet the objection at the outset, that, if we now authorize free banking upon a currency basis without coin redemption, we shall be the only nation in the world that has done so to this time. Other systems of free banking are based upon coin redemption. For instance, in New York, which furnished the first example of free banking, every note was redeemable at the counter

of the bank and also in the city of New York in gold and silver coin. The State of Ohio followed the example of New York and established a very excellent system of what was called free banking. The notes were redeemable in coin. I am not familiar with the principle that prevailed in New England under the Suffolk Bank system, nor do I know whether the banks possessed charters granted by the States or whether there was any limit upon the amount of their circulation. At all events, if they had a free-banking system it was always on a coin basis. So in England, the Bank of England has practically the power to issue an unlimited amount of paper money; but after it has issued a certain amount authorized by its charter, every dollar of notes is based upon coin or bullion in the vaults of the bank, so that after all a Bank of England note is nothing but a certificate of coin or bullion on hand. I repeat that, while we now propose free banking, it is an experiment that has not been tried in other countries, but which we are willing to try upon the terms and conditions proposed by this bill.

Banks without coin redemption have always been carefully limited in the amount of their issues. For instance, in France the Bank of France now has authority to issue paper money without the burden of coin redemption; but the amount is carefully limited to 3,200,000,000 francs. They have never exceeded twenty-nine hundred and odd millions, and are now reducing the amount; and the subject of reducing still further the limit of bank paper occupies the attention of the Legislative Assembly of France. So in the United States, we have authorized banking without coin redemption; but hitherto we have always done it upon a carefully limited basis. These are the only examples I know of, in great commercial nations at least, of banking without coin redemption, and in these cases the banks have been carefully limited in the amount of circulation.

It has been urged very often that if we make the redemption of these notes certain by requiring absolute security to be placed in the hands of the Treasurer of the United States, we can dispense with coin redemption. That such a provision can not be a substitute for redemption is shown by the simple fact that to-day every national bank in the United States has securities in the hands of the Treasurer of the United States worth one hundred and fifteen dollars in gold for every ninety dollars of notes; and yet the very notes thus secured are worth only eighty-nine cents in gold. The security of the bank paper does not at all affect this question. The question is whether it is payable or not, or whether a person who holds it can convert it into that which is superior in value, either coin or its equivalent. As a matter of course, if the bank paper could be converted at the will of the holder into the securities which are now held by the Government for its payment, the notes would at once be worth par in gold. I say, therefore, that the objection to free banking which I have thus named is fatal, unless there is some provision for coin redemption either now or in the future at such time as the people will have reasonable confidence that that provision will be observed.

The second objection to free banking is that the business of issuing paper money is a Government franchise; that the Government should

have the profit of it. In theory that is true, but in practice it is found extremely inconvenient. The power is to stamp paper money and practically to compel everybody in the United States to use it, because the right to refuse bank paper money, although it is not a legal tender, is practically of no avail. Every individual must take it. It would seem that that ought to be a Government franchise, and that the Government alone should have the benefit of any profits that are made out of it; but in practice it is found that Government paper money can not in all respects supply the place of bank paper money, and I may very briefly point out the reasons and the difficulties in the way before I get through.

In the first place we have the fact that these national banks are in existence throughout the United States; that any endeavor to withdraw their notes and substitute greenbacks would disturb a business so enormous that the mere statement of the amount that would be affected by it would deter any prudent man from making the attempt. The nineteen hundred and seventy-six banks now in operation have lent to the people of the United States \$944,220,000 in money. They have on hand, to secure their circulation and their deposits, \$388,330,000 of bonds. If, therefore, the Government of the United States assumes, as it has the right to assume, the power to issue all the paper money in this country, one of two things must occur: either all the bonds now held as security for the circulation will be sold for money, thus depreciating their value and deranging our financial affairs; or, what is still worse, the banks will be compelled to draw in from the people of the United States enough greenbacks to replace the notes they have outstanding and to collect all their bills receivable, so that all of the banks under their present organization would be compelled to retire from business. So that the practical effect of any attempt to change from the national bank currency to a paper money issued by the Government of the United States alone would be the withdrawal of loans to the amount of \$944,000,000 and a sale of bonds to the amount of \$388,000,000.

It is also sometimes complained that the Government of the United States loses money by the privilege granted to the banks. Let us look at that for a moment in the light of a few simple figures. The gains to the Government I will compute at the largest sum at which they have ever been estimated by any one. The circulation is now \$354,000,000. There is now an actual currency reserve held under the law, and which is not very materially diminished—not merely a deposit reserve in the banks, but a currency reserve for this circulation—of \$92,500,000, making the amount of bank paper in excess of the greenbacks, which by law the banks are compelled to hold and do now actually hold in their vaults, \$261,500,000. Now, if United States notes were at once to take the place of all the bank notes in the country to the amount of \$261,500,000, the interest saved to the Government upon a coin basis at the rate of five per cent. would be \$13,075,000. That is the highest amount that could be saved to the Government, without counting the fact that there is now a depreciation of the paper money, and consequently the interest now realized would not be so high. But, on



the other hand, look at the loss which the Government would at once sustain. The taxes now imposed on the national banks by the United States and by the State governments, all inuring to the benefit of the people of the United States, produce \$18,000,000, and are increasing gradually with the increase of taxation in this country. If it may be supposed that one half of this taxation is on the deposits of the banks and on the business which they would transact under any circumstances, the amount would be reduced to \$9,000,000. This the Government of the United States and the people of the United States would lose at once, because the bonds held by the banks are not taxable, and if the bank notes should be withdrawn, of course their bonds would not be taxed and there would be no circulation to be taxed. Under the present system we tax the circulation of national banks, and we tax their capital in the form of bonds; and the amount of taxes thus levied upon property which, if the banking system were wiped out, would not be taxable *per se* is probably about equal to five per cent. on all the circulation issued by the banks. The Comptroller of the Currency, who has gone into the calculation very carefully, thinks it is more, but I have taken the lowest figure any one has suggested.

Besides that, if the Government should assume this business of issuing notes, there would be the cost of maintaining resumption, because I take it that no man would propose that the Government should step in and issue United States notes unless it should also assume the burden of redeeming those notes in some form or other, either that of bonds or of coin. The time for such a proposition has gone by, and I have not heard in all this long debate any Senator say that he would be in favor of issuing greenbacks, actual promises to pay, and compelling the people to take them, without supplementing and supporting them by some plan of redemption, either in some form of bond—and a three sixty-five bond is the lowest any one has named—or in actual coin.

There is another difficulty in the way of the substitution of United States notes for bank notes. United States notes can be paid out only for Government dues. If a person has a claim against the United States and presents it to the Government, the Government may pay it in United States notes; but Government notes have not that quality of flexibility which is indispensable to a circulating medium, because Government can pay them out only in payment of dues against itself. The Government cannot lend money; it cannot promote private business; it cannot move the crops, nor do anything of that kind. No man in this country is so wild as to propose that the Government of the United States should become a banker and deal in negotiable bills, and make loans and discounts. It is contrary to the theory of our Government, and would embark the Government of the United States in a business for which it is ill adapted. Indeed, even the thought of such a thing is totally inadmissible. Therefore, on a system of United States notes alone without bank currency, you cannot have that quality of flexibility, that ebb and flow of loans and discounts, which is necessary to transact business, the payments sometimes requiring more, sometimes less. That function of a currency cannot be supplied by Government

notes. It must be supplied by bank paper or by private credit, or private capital employed either by corporations or by individuals.

Then there is another thing. Under a system which furnishes only one kind of currency, and that a currency of United States notes, there is no possibility of a distribution of banking capital. We know the great value of the banking system lies in the fact that a bank is situated in every considerable town of the United States, and that that bank furnishes a center of capital where money can be borrowed, lent, or deposited, where drafts can be purchased, and exchanges conducted. Under a system of United States notes alone it would be impossible to distribute the benefit of those notes so as to promote loans and discounts and exchanges.

These are objections which have been stated over and over again, and I sum them up here to show that a system of currency depending upon United States notes alone, even if it had not other objections to it, would not be practicable in this country; and the experience of the country from the first organization of the Government to this time bears out the statement. So, while in theory it would seem to be best that all notes intended to circulate as money should have the stamp of the Government upon them and that the Government should derive the profit from their circulation, yet I believe, after all, that the mixed system which we adopted under the pressure of war—a system of notes issued by the United States practically redeemable in coin as the basis of our paper money, and then other notes equally secure, equally valuable, provided by the United States but issued by banks—furnishes the best system of paper money that has been devised in the history of man; and I think that is the judgment of most of the statesmen and financiers of Europe who have given attention to this matter. While the Government may properly issue its notes in the ordinary course of its business in payment of demands upon it, to meet the exigencies of war, and now since the war is over to meet the ordinary arrangements of peace, provided they are maintained at par in coin, banks also, in some form or other, may issue paper money, and those banks may be wisely distributed over the whole country and their notes may be increased or diminished as the wants of the community may require; and that combination furnishes us as good a system of paper money as can be devised.

It is frequently said that at all events banks would be organized as banks of exchange or deposit, even if the Government issued all the notes. The right to issue circulating notes is a great inducement to the organization of banks of exchange and deposit. There is no agency or convenience of our day more useful for business of every kind than those convenient mediums of exchange and deposit called banks. They are indispensable in manufacturing communities; they are convenient in agricultural communities. Without them commerce can not be conducted on any large scale. Banks are necessary, whether they are conducted by private individuals or by corporations. How they shall be governed is another thing. The right of a bank to issue bank notes, so as to be able under the pressure of a demand for money to increase its power to loan, and so to meet the changing requirements of business, is

eminently beneficial to every community; and therefore it is that there is a complaint in certain sections that they have not their share of banking facilities. They want banks for their convenience, not for the money made out of them, because it is shown clearly that very little money is made by the circulation of bank notes, but because it is convenient and important in the transaction of all business—farming, planting, manufacturing, mining—to have convenient mediums of exchange in the form of banks; and it is a great aid and inducement to the organization of banks throughout the country that the banks can add to their means the power to issue their notes to circulate as money.

I have compared these two systems, and there are one or two qualities in which the two are alike. There is no difference between a bank note and a Government note in these respects: they are alike printed by the Government and guarded against counterfeiting; and that is an invaluable advantage. In 1863, when the national bank-note system was first proposed, I presented to the Senate statistics showing the amount of counterfeiting and counterfeit notes and the number of bank bills that then existed. I showed that more than one fifth of the currency was counterfeited or suspected of being counterfeited. I produced, I remember, a large book called a counterfeit detector, and the number of counterfeit notes that were described in that book was almost as multitudinous as the sands of the sea. The present system is undoubtedly a great improvement on the old. There is no more danger of counterfeiting the bank note than the United States note. They both rest upon the public faith. The United States promises to pay its notes at the earliest day practicable in coin. The bank note contains a similar promise to pay in United States notes; and in addition to that, being a private corporation, the bank secures that promise by Government bonds. So that both rest upon the public faith, and neither can be violated without public dishonor. The United States notes and bank notes are of uniform value throughout the United States. United States notes and bank notes circulate wherever our flag floats or our jurisdiction extends, without any doubt or question as to their solvency.

In these three respects it makes no difference to the people whether the currency is in the form of bank paper or of United States notes. Whether it is best to issue United States notes or bank notes depends upon the convenience of the people, and the argument in favor of the bank notes is that the banks may be distributed throughout the country so as to do the daily business of the country; that they furnish a basis of taxation to support not only the national, but the State and local governments; and that they are convenient agencies for the transaction of the ordinary business of the people, while United States notes can not be made in any way as convenient agencies for that purpose. And yet, notwithstanding all this, I say that in theory there is no reason why the Government of the United States should not issue its notes, provided only that it maintains them at par in coin, and makes subsidiary to this power the power of banks freely to issue their notes upon terms and conditions exactly equal to all.

Now, Mr. President, this is the purpose of this bill, to make free banking subject to these conditions. If the United States notes are to

continue irredeemable, as a matter of course there is no reason why all of the notes should not be issued by the United States rather than by the United States and banks together. It is perfectly idle, perfectly farcical, to require the banks to deposit bonds to secure the redemption of their notes to the amount of one hundred and fifteen dollars in bonds for ninety dollars in notes, and yet at the same time talk about redemption. So long as the United States notes are irredeemable the whole currency ought to be in that form.

But I wish to call the attention of the Senate to the important fact that when the national-bank system was started, it was declared by every person who voted for it and by every member who spoke in that debate, which continued for some three or four weeks, that the national-bank notes were intended to replace the greenbacks at the close of the war. Under the provisions of the law as it stood in 1863, on the day the first banking act passed, the notes and the bonds were convertible one into the other and would stand always upon the same level; and as the bonds should rise to par in gold the notes would necessarily rise to the same level. The very right that is conferred by this bill, not to take effect, however, until the 1st of January, 1877, was conferred upon the note-holder. But it was then supposed that at the close of the war, as soon as our bonds would sell at par in gold, the United States notes would be at par in gold, and that the burden of redemption would then fall upon the banks. No argument can be made in favor of the national banking system unless the banks assume the burden of redemption. If they do not redeem their notes the national banks should fall, and I never have stood up and never will stand up before the people of the United States to insist upon giving to the banks the right to issue irredeemable paper when the whole theory and purpose and object of the national banking system was to relieve the United States at the close of the war from the necessity of maintaining actual coin redemption. The notes, it was supposed, would then be converted into bonds, and the national banks would step in and maintain their notes at par in gold, subject to the most rigorous coin redemption. The acts of 1863 and 1864 contained the most positive provisions requiring redemption in coin.

There is another objection to free banking, which I will mention very briefly, that without redemption every additional issue of notes inevitably depreciates the whole mass. This, I take it, is so clear an axiom that it is scarcely worth while to discuss it. In the absence of redemption every additional note added to the volume of paper currency will decrease its purchasing power. Why is a bank note depreciated? Not because it is not well secured, not because the ultimate payment is not provided for. Why is a United States note depreciated? Not because anybody believes that the United States will not pay it eventually in coin. They are depreciated simply because there is too much paper to be maintained at par in gold. By the judgment of the world its market value has sunk below par in gold; and that is the best evidence in the world that there is too much of it to be maintained at par in gold. Every addition to the volume of it would necessarily sink it lower and lower.

This, therefore, involves the question of public faith. If we provide for the issuing of more paper money to any extent without counteracting provisions looking to its redemption, we violate the pledge of the public faith made by the act of March, 1869. That act provides that we will redeem the United States notes in coin "at the earliest practicable period." Any one who undertakes to prove that you fulfill that pledge by depreciating the purchasing power of these notes by your own action, by act of Congress, will, it seems to me, have a very difficult task. It is not sufficient to say in reply to this that we intend always to keep that promise in view, and at some time to make it good. The promise itself implies that we will steadily pursue a policy that will gradually but surely advance us to the coin standard. The issuing of more paper money without some provision for redemption inevitably depreciates it, and that just as inevitably violates, *pro tanto*, the public faith pledged by the United States.

I have stated the objections to free banking, not only as they are made by the popular voice, but as they have been made here and probably will be made again. I know that many Senators who now hear me, and who will probably vote with some hesitation for free banking, feel afraid of it. They are afraid that free banking may operate injuriously and disastrously; that the amount of paper money may be issued so rapidly as to affect the public credit and endanger it. I admit that there is that danger, and we have endeavored in this bill to guard against it.

But there are some advantages in free banking that I must not pass by, and one is that it repeals the monopoly of banking. If there is anything in the world that the people of the United States hate it is a monopoly; a right conferred upon one man or corporation and not upon another; a right enjoyed by one community and denied to another. It is the Anglo-Saxon feeling of hatred to monopoly. The word "monopoly" is one of the most odious words in the language. The idea of free banking is not only popular, but just. The only reason why the monopoly was provided in the beginning was because we were afraid to authorize these paper issues without some restriction as to the amount, and we could not abolish that restriction until we had changed the character of these notes so as to make a uniform rule entirely safe to the people of the United States. It is a great advantage to our system of currency to abolish all monopolies and to put all people upon the same footing.

By proper measures of redemption we may avoid the danger of depreciation, and reach specie payment at the earliest practicable period.

I know that here I am met with an objection to free banking—and I am speaking now of those who voted with me, and perhaps I might say I have seen it also in a document from another branch of the Government—that we might safely postpone free banking until we had actually reached coin resumption. In my judgment that would not be wise; nor is it necessary. It is only necessary to show to the people of the United States, to convince every man who is engaged in the business of banking, that it is our determination to redeem these notes

in coin, and that we have the ability to redeem them, and then we can make banking free. When we declare, on the one hand, that all restrictions on banking are abolished, and on the other that all banks are subject to certain conditions which will inevitably redeem the promise of the United States to pay its own notes, and also enforce the obligation that rests upon the banks to redeem their notes in coin or its equivalent, I think free banking is perfectly safe; and when we show that we have the ability and the means on hand to maintain it, that every provision of our bill can certainly be carried out without doubt or danger, and that it is within the power of the United States to redeem in the bonds proposed by this bill, we have met every objection that could be reasonably made to free banking now in advance of actual coin redemption. But, sir, free banking in advance of a disposition or an ability to redeem is simply a delusive promise and a delusive hope; and therefore it should be accompanied by measures which will certainly bring us up to the gold standard according to the terms and stipulations contained in the bill.

Now, I wish very briefly to call attention to the provisions for redemption contained in this bill; and without some such provisions I am free to say that I will not vote for free banking, or for any increase of paper money. It is of no use for us to discuss our fixed convictions on this point. The purpose of the Committee on Finance, in the preparation of this bill, has been to go just as far as they dare go according to their conscientious conviction of public duty, to make this operation as easy as possible, and yet to secure redemption, and to provide for free banking and redemption, always keeping in view the pledges of the public faith. For one, in framing these provisions, I have gone only so far as was absolutely necessary in my opinion to show our ability and willingness to redeem.

The first feature which looks to redemption is contained in section 5, which provides that every banking association organized or to be organized shall deposit in the Treasury of the United States a sum equal to five per cent. of the amount of its circulation, and shall redeem all its notes presented there for redemption. This is a currency redemption, a redemption in greenbacks. I have no idea that this section will operate very much for a while, except to bring in the mutilated, torn, defaced, and otherwise injured notes to be replaced by others. I can not see that in the present condition of affairs there will be any motive for presenting these notes for redemption except that of securing clean, new paper money instead of ragged, mutilated money, and that is a very proper one. Our bank paper money has now become so defaced and in some sections so soiled and injured that it is unfit to remain in circulation, and this measure will have a most beneficial effect in renovating it without too great a burden to the banks.

As a corresponding benefit to the banks, so as not to make the bill too oppressive, we have relieved them from the necessity of maintaining a reserve on their circulation. There is no argument in favor of such a reserve. The circulation is amply secured by bonds, and there is no necessity for maintaining a reserve of fifteen per cent. upon it when in fact no notes are, have been, or will be, presented for redemption. I

doubt very much whether one per cent. of the notes of any bank has been presented to it for redemption since its organization. In lieu of the fifteen per cent. reserve on circulation, we require the banks to maintain this five per cent. in the Treasury of the United States to provide for actual and practical redemption and to secure the ebb and flow of this paper money.

In order to avoid all practical difficulties in the way, the Committee on Finance took the pains not only to inquire of bankers and business men throughout the country as to the effect of this section, but to ask General Spinner, Treasurer of the United States, and Comptroller Knox for their opinion, whether it would be difficult, expensive, or impracticable, and we have the hearty assurance of every one, bankers, citizens, and officers of the Government, that the section could not be oppressive to anybody. Indeed General Spinner estimated the cost of this process I think at only \$60,000; but the very highest estimate that was put upon it by any one was one fifth of one per cent. upon the amount of notes that should be redeemed. If \$100,000,000 should be presented for redemption within a year, and I should hope that much would be, because there is \$100,000,000 of it that is unfit for circulation, it would at once be exchanged for the new notes, and they would be forwarded to the banks and sent out among the people. The whole cost, according to the highest estimate, which was one fifth of one per cent., would be \$200,000 a year, and it is not probable that more than \$100,000,000 could be presented in any one year. But whatever the cost may be, the bill provides that it shall be paid by the banks, and be assessed in proportion to the amount redeemed. This would be practical redemption in greenbacks, which we have never had heretofore.

The next clause which looks to some provision for redemption is contained in section 2, which has been somewhat modified by the Committee since the bill was reported. The Senator from Pennsylvania [Mr. Scott], who has it in charge, will offer an amendment requiring one fourth of the amount of the gold paid to the banks to be retained by them as a reserve in lieu of so much currency. That has been already debated, and has received the sanction of the Senate, and it is also contained in substance in the House bill. Indeed nearly all the provisions I now refer to are provisions contained in the House bill. The Senator from Pennsylvania intends to offer an amendment, which he will explain, which meets my approval, and perhaps will meet that of the Senate, providing a way in which this gold may be utilized temporarily until final resumption is attained.

The third provision which looks to redemption is the eighth section, which I regard as the vital section of the bill providing for the redemption of these notes. It requires that whenever \$1,000,000 of circulating notes shall have been issued for thirty days among the people, half a million dollars of United States notes shall be retired and canceled. So vital do I regard this provision of the bill that I certainly can not vote for any increase of paper money without it. In order to make a fair and just compromise—if that word is not out of date and out of fashion—and to show that while we were willing to extend to the people of the United States every facility in the amount of paper money

without restriction, we adopted one half of the bank notes to be issued as the measure of the greenbacks to be retired; and here, Senators, is the point which is probably to determine the fate of this bill. Why retire the greenbacks? The people are in love with the greenbacks, we are told. The reason is that they are depreciated below par in coin; and if you pass this bill without making any provision whatever to increase their value and purchasing power, you actually depreciate them by adding to the volume of paper money the amount that would be issued under a system of free banking, and you violate the public faith and the public honor, and you turn your back upon the pledges of parties and of Congress. This is a fatal objection to begin with, but it is not all.

Every dollar of these notes retired necessarily adds value to the whole mass. It is the greenback that is not redeemed. It is not the bank paper that is in the way. The bank paper never was in the way. If it were not for the greenbacks the banks could be compelled to pay their notes in coin to-day; and the material to pay them is on hand in their bonds in the Treasury. By retiring the greenbacks you necessarily add to the value of the whole mass of paper, because you retire that which is the cause of the depreciation. This is the principal provision of the bill that looks to the maintenance of these notes at or near par in gold. This operation is to go on until the amount of United States notes is reduced to \$300,000,000. So far as I am concerned I would very much like to see that restriction of \$300,000,000 repealed, and let the process go on to the extent that bank notes may be issued. But it is a matter of practical belief, based upon the opinion of many experienced men, that if the amount of greenbacks were reduced to three hundred millions, that amount could be maintained at par in gold.

At all events, the other provisions of the bill will undoubtedly in the course of two or three years advance them to par at coin. This provision has already been discussed so often in the Senate that I do not propose to comment further on it now.

The fourth provision in this bill, looking toward redemption, is that in the ninth section, which has been debated here so often that I need not enlarge upon it. However, in order to avoid any sudden or violent change in value, and to give time for the operation of this bill, the Committee on Finance have postponed its operation until the 1st of January, 1877. On that day we now promise to do precisely what we promised to do when the greenback was issued. We promise the holders of the greenbacks that, if they desire it, they may then present them to the Treasury of the United States and receive a five per cent. bond. This section has been somewhat changed in its phraseology since it was reported before, but it is in effect the same. It provides for an alternative redemption either in bonds or coin, the choice resting with the Treasury of the United States; and there is nothing new in it. All that it does is to restore that feature and privilege given to the greenback when it was first issued, and always maintained until the close of the war, when we chose by our legislation to advance the bond at the expense of the greenback and dissolve the tie that had always existed



between them. But this is a section familiar to the Senate, and it is not necessary for me to discuss it.

There is one provision, however, which I will take this opportunity to explain. It is asked, "Why reissue these notes for current expenses; will not this necessarily increase the public debt?" Not at all. The necessity of maintaining that provision grows out of the fact that we now have a deficiency of currency revenue. Our currency revenue is only about \$100,000,000; our gold revenue is nearly \$200,000,000. The result is, that now we are compelled to sell our gold in order to get currency to pay the current expenses of the Government. If we were not compelled to sell the gold received from customs, we could use in redeeming bonds all the surplus gold, amounting to \$60,000,000, or more than that perhaps, as the interest on the public debt is \$100,000,000, and the sinking fund requires \$30,000,000. We might use our excess of gold directly for the payment of the six per cent. bonds of the United States at par, without discount, without commission, and without the intervention of agent or syndicate. All the surplus gold that comes into the Treasury might be used directly and surely, each month, in the payment of the six per cent. bonds of the United States, and to the extent that currency flows into the Treasury for the five per cent. bonds that currency might be used for the payment of the current expenses, instead of their being met by the sale of gold. To the extent that those notes are presented for redemption, to the full extent that anybody claims they will be presented for redemption, we can convert our six per cent. bonds into five per cent. bonds without costs, commissions, or exchange.

But this is only an incident to the general provision; and the reason why bonds instead of coin ought to be stipulated for is because we can not now say that we can actually promise beyond all doubt to pay coin at the time named. If Congress were willing to impose the requisite taxes we might maintain a system of actual coin redemption, although I think it would not be desirable to do it. I certainly would not vote for actual coin redemption at any fixed period. But instead of promising coin, we can promise to give what we have the power to give, our bond.

It is said that we lose interest; that if a man gives up a note not bearing interest and takes our note or bond bearing interest, we thereby lose interest. Ought we not to do so? Why should the United States—or any bank or individual—have the power to force its note into circulation as money when it refuses to pay interest on it to those who desire interest on their money? There is no reason for it. This also fixes a time after the next presidential election, so that I hope that will not mingle in this contest—the 1st of January, 1877, when we shall have reached practical coin redemption.

Mr. President, these are the general features of the bill, and in my judgment, with due deference to the opinions of the Senate, it ought to be taken as a whole. It is manifest that here are two provisions, one providing for an increase of paper money, the other providing for increasing its value; one providing for more money, the other providing for better money. You can not have more money without making pro-

vision to make that money better, except by violating the public faith. Therefore I submit to the Senate in all candor and sincerity that they ought to take this bill as a whole, and not tear it to pieces and compel those who are friendly to the system of free banking to vote against it, because there is not coupled with the provision for free banking such a system of redemption as will prevent the depreciation of the notes. I am asked whether the immediate effect of this bill on the country will be contraction or expansion.

I always avoid as far as I can the use of phrases which deceive and mislead. The use of "contraction," and "expansion," and "inflation," and all those words, does not convey distinctly any meaning which ought to guide us in the consideration of a practical measure of legislation. But, to come nearer to the point, I will say that each section of this bill may have a different tendency. The first section of the bill at once places in circulation all the reserves now held by the banks as a security for circulation. There is another section of the bill which, on the other hand, by withdrawing the reserves for deposits from the banks in New York and requiring them to be maintained in the vaults of the respective banks, would tend, in the first instance, to contract the currency; that is, it would transfer currency from a place where it is admitted to be superabundant to regions of the country where it is claimed to be insufficient. So I should have to go over, section by section, the whole bill. As a whole, undoubtedly the effect will be to increase the volume of paper money, and it can not be otherwise, because it has no effect to cancel a single dollar of the paper now outstanding except as twice as much more is issued. Therefore the immediate effect and the effect of the whole must necessarily be to expand the currency, but with such qualifications and provisions and with such pledges for the future as will prevent its depreciation.

It is said that the effect of the clause of this bill which provides for removing the reserve on deposits from New York to the West and South would be to produce contraction. Now, if there is any objection to this proposition that has twice received the vote of the Senate and once received the vote of the House of Representatives, if there is really objection to the transfer of this reserve from the city of New York, where it is used simply for stock-gambling, to the West and South, I hope some Senator will move to strike out that clause.

The section which repeals the reserve on circulation passed the House of Representatives. It was intended for the benefit of the banks, and to relieve them from all reserves on circulation, and as a substitute for that fifteen or twenty-five per cent. we require them to maintain five per cent. reserve in the Treasury of the United States; so that to this extent both the House bill and the Senate bill are an expansion or unlocking of the currency. But the Senator from Illinois says that the bill also contains another section which transfers the reserve on deposits from New York to the West and South. If the Senator is opposed to that transfer he can move to strike it out. If he thinks that works contraction, and he strikes at the bill in that direction, he can move to strike it out, and then I could give the reasons why we adopted that section.

Under the present law three fourths of three fifths of the reserve on deposits may be loaned by bankers in New York to whoever will borrow it on call; and that is just what is done. I have not gone into a close computation, but I will take the Senator's own estimate. Suppose the currency reserve on deposits is \$50,000,000, as he states, and I think it is about \$50,000,000, or \$55,000,000. Three fifths of that amount may be put in New York, and three fourths of that three fifths may be lent in New York. How? It is lent out by the banks of New York only to brokers. It is not made the basis of commercial loans at all. Not a single dollar of the reserves of the country banks held there is lent for commercial purposes, or for investment in the West or South or anywhere else. It is lent for speculative stock operations; and business men of the highest character in New York who themselves are presidents of banks have advised against it. They say that while this reserve is piled up in New York, banks there will bid for it according to the rate of interest to induce its deposit with them. Being a deposit on call, liable to be called for at any moment, the New York banks lend it on call themselves. I think this provision of the bill can be defended without regard to whether it inflates or contracts. But if there is objection to having the reserve transferred from New York, let us relieve the banks entirely from the reserve. If Senators really think that from fifteen to twenty-five per cent. on deposits is too much of a reserve to be maintained by national banks to protect themselves against sudden demands, lower the reserve, and so make an expansion. I am perfectly willing to leave the banks, with or without reserve, to take their chances. They will surely fail if they do not maintain, in an ordinary state of affairs, from ten to twenty-five per cent. in reserve, whether the law provides for it or not. If the reserve required is too large, reduce it, and thus raise the question of inflation. But this provision, which the Senator from Illinois himself proposed to the Senate, is now ingeniously seized upon as an objection to this bill, because, forsooth, it will cause the transfer of the reserves from New York to the West and South. What benefit is it to the West and South to have their money, belonging to their own banks, sent to New York and lent to stock-brokers in that city? It may be of some service in the West after the banks are established to strengthen them at home, and if they ought not to have that amount of reserve now required by law, why not decrease it? Now to take two provisions together for the purpose of making an argument against this bill, especially when this particular clause has been passed by both Houses of Congress and was offered by the Senator from Illinois himself and assented to by members on both sides, seems to me to be late. If Senators desire to correct their opinion on that question, as they have the right to do; if they think the transfer ought not to be made, it is very easy for them to propose suitable amendments to the bill in that respect; but they do not propose them.

Now a word in regard to another point, and this is the chief point. The Senator from Indiana refers to the \$44,000,000 reserve. There is nothing in this bill about a reserve at all. Yesterday the reserve was perhaps \$3,000,000; to-day it may be \$10,000,000. According to the

last statement the currency reserve is swollen to ten millions. Sometimes it must be ten millions. Whenever quarter-day comes for the payment of pensions, the Treasury must have on hand seven and a half millions to pay pensions. Sometimes this reserve must run up to ten or fifteen millions. The Secretary of the Treasury carefully studies when he must pay out money. There are times when he must have a large currency reserve. There are other periods of the year when he can run it down to three millions. I have known the currency reserve at one time to run down to two millions. In my judgment it is hardly ever safe to have a currency reserve in the Treasury of less than fifteen millions. It is better to have it. The Secretary of the Treasury would naturally have it, and on an average the reserve has been more than fifteen millions. On the 12th of September, just before the panic, the reserve was about twelve or fifteen millions; the precise amount I do now know, but it was over twelve millions certainly—fourteen millions my friend from New York suggests. To-day it is ten millions, and sometimes it goes down to three millions.

The very language of this section is the language of the House bill, the language proposed by the Senator from Iowa the other day, and there is not a word about the \$44,000,000 reserve in it. This bill practically abolishes the idea of such a reserve; it fixes the maximum of United States notes at \$382,000,000, and the Secretary of the Treasury will necessarily keep enough of that \$382,000,000 to meet his current payments.

Now, in regard to the vital importance of the clause which the pending amendment touches, I say that without the reduction of the greenbacks as bank notes are issued, in some proportion, this bill is nothing at all but an inflation measure providing for a large increase of paper money, with no restraint except a provision that in January, 1877, thirty-two months hence, we shall redeem these notes, then largely increased, in bonds of the United States. Sir, I knew the division of sentiment here among Senators. I knew we were all grown-up men and disliked to change our opinions. I have gone to the extreme limit in this bill to meet the ideas of those who desire more paper money if only we could have better paper money. I am not sure but that I have gone too far; perhaps I have; but I am willing to go so far and other Senators are willing to join me. But now when we introduce a proposition here which provides for the continual daily increase of paper money without a single dollar of reduction—for not one dollar of notes can be canceled or redeemed until twice their amount is put in circulation—when we propose that as a compromise, with all the other provisions of the bill practically agreed to except one that does not take effect for two years (for all the other provisions of this bill have come to us from the House of Representatives, where they have been discussed and carried), we are met on this decisive vote which settles the fate of this bill, so far as I am concerned at least, with an intimation that unless you can issue \$4,000,000 of paper money for the cancellation of \$1,000,000 certain Senators will not vote for the bill. If that is so, the sooner it is ended the better, in my judgment. I will not prolong debate. I hope the Senate will act upon this amendment as

the vital issue involved in this bill. If a majority decide for it, then, as a matter of course, I will relieve myself of any further custody or care of the measure.

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## THE ISSUES OF THE HOUR.

*DELIVERED AT COLUMBUS, SEPTEMBER 2, 1874.*

FELLOW CITIZENS: The two great parties have now, by their State Conventions in Ohio, nominated their candidates and announced their principles. The people of Ohio have rejected the new Constitution, and have thus postponed for the time all questions of State policy. No Governor is to be elected. The officers to be chosen are purely ministerial or judicial, and no local question is to be decided. The people of Ohio are now called upon to choose between the only two existing national political parties, and at an election when their immediate Representatives in Congress are to be chosen. It is, therefore, a national election. The issues and results, whatever they are and may be, affect not only the people of Ohio, but the whole people of the United States.

And, fellow citizens, I am bound to say that at no period of our political history have the people of the whole country been more free from embarrassment in the selection of parties than at this moment. All the great, overriding, fundamental questions that have given rise to political parties are practically settled by the progress of events—by popular acquiescence and judicial decisions. The Federal and Republican parties of Adams and Jefferson grew partly out of the tendency of the Federalists to aristocratic forms and usages, and partly from difference of views as to the powers of the General Government. The strength of the Republican party of Jefferson lay in its adoption of simple republican forms. The ideas and habits which came to our ancestors from England tended to keep alive class distinctions between citizens. These distinctions were encouraged by the Federalists, but were swept away by the success of the Republican party. On the other hand, the powers of the General Government, as maintained by the Federalists, were established by successive decisions of the Supreme Court, and, though disputed from time to time, are now recognized by all parties and all classes. The supreme authority of the National Government over national questions, and the exclusive authority of State Governments over local questions, are now admitted by all, and the boundary between the two has been carefully defined.

The questions that gave rise to the formation of the Whig and Democratic parties of Clay and Jackson were economic questions—questions about a national bank, the public lands, and tariffs. These again have been settled. No one now thinks of a national bank. The public lands are no longer regarded as a source of revenue, but, by common consent, are held for settlement under the homestead and pre-emption laws; while the tariff question is purely a matter of detail, in

which revenue is regarded as the primary object, and the encouragement of domestic industry the necessary and proper incident.

The great, and I may say the only, question that gave rise to the Republican and Democratic parties of our day was that of slavery. Under Democratic management, the political power of slavery had acquired supreme control over all departments of the Government. This power was violent, arrogant, and insulting, and at length repealed the Missouri Compromise, and undertook, by force and fraud, to extend slavery over the Territories, threatening, if resistance were made, to dissolve the Union. On this question the Republican party had its birth, and took its stand. The successive stages of that controversy were but the natural and unavoidable development of an irrepressible conflict. We declared against the extension of slavery. This led, successively, to a local conflict in Kansas, the election of Lincoln, the civil war, the abolition of slavery, and the citizenship of an emancipated race. In this conflict the Republicans won a clear victory. They gained possession of all the powers of the Government—legislative, executive, and judicial. Every promise they have made has been faithfully performed. Their political creed is ingrafted upon the Constitution of the United States. The general summary of results is so well stated in a recent address by the National Republican Committee, that I will venture to read it to you :

At home and abroad the Union was proclaimed to be dissolved in 1861. The Union is restored now.

Nine States then claimed to have left the protection of the Constitution forever. They have all returned to that protection now. "Those that thou gavest me I have kept, and none is lost," said the Saviour of men. The Republican party has more than preserved the States you committed to its keeping. It has found those which were lost.

In 1861 the "Confederate States of America," so called, were clamoring for admission into the family of nations. There is no longer any such pretense. Each one of those great but misguided communities now has honorable recognition as an integral part of the United States.

A race numbering millions has been raised from the condition of chattels to the state of man. Human rights have gained the sanction of three new chapters added to the National Constitution. Murder, organized in several States, bearing the name of Ku-Klux, wearing the garb and plying the trade of fiends, has been exposed, convicted, punished.

Fellow citizens, when you committed the Union to the keeping of the Republican party, it seemed on the verge of dissolution. Many hoped and some feared it had received an incurable wound. We present the Union to you to-day, every whit whole. The Republic is at peace throughout all her borders; she is at peace with all the world. Her rightful authority is disputed nowhere; her opinions are respected everywhere. She stands in the very vanguard of sovereign States. We challenge history to produce another instance of a country raised from such humiliation to such grandeur in so short a time. And this transformation has been wrought, not merely without the aid of the Democratic party, but in spite of its utmost hostility.

Such, fellow citizens, are the admitted results of the last great division of parties in this country. Our policy has been approved, our principles have triumphed. And now the question remains, shall we abandon the Republican party and seek, either in the Democratic party or in new parties, a representative of our views, hopes and aspirations

for the future of our country? It is to this inquiry I now invite your considerate attention.

I have said that all the fundamental questions which gave rise to the Republican party are settled, so far as the guarantees of the Constitution can settle them. But there are guarantees not yet enforced; and, unless they shall be enforced, much of our success will become but wasted energy. One is the guarantee made by the fourteenth amendment, which secures to all citizens equal rights and privileges, and the equal protection of the laws. The same amendment gives to Congress the power to enforce it by appropriate legislation. This has been done to some extent, by securing to all citizens—white and black, native and naturalized—the equal enjoyment of the right to sue and be sued, to testify, and to acquire and hold property; but, in some of the States, the right to travel on railways, to stop at inns, and fairly to share in the benefits of common schools has been denied. These rights are common incidents of citizenship, which all may enjoy without impairing their enjoyment by others. And, especially, the right to enjoy equal facilities in the education of children is a right of primary importance, not alone to the individual, but to the whole community. The education of youth is by far the most costly object of local taxation—freely borne because it is essential to the maintenance of a republican form of government. In the old constitution of Ohio—as well as in the new, which has been rejected—it is provided that “The General Assembly shall make such provision by taxation, or otherwise, as, with the income arising from the school fund, will secure a thorough and efficient system of common schools throughout the State.”

The benefits of our system of common schools have, in Ohio, been fairly secured to all alike, unless voluntarily rejected through pride, creed, or prejudice. It is a monument of wisdom. It is a stream of perennial fertility. In populous communities, where the number of colored children is sufficiently large for a separate school, it is often preferable to form such school, by local authority; but where there are few such children, they go to the same school with white children, and take part in the same class. I am assured by some of the best teachers in the State that, practically, no difficulty is experienced when white and black are admitted into the same school and class; and that very often the colored children are, from their general good humor, favorites with the white children. The difficulty is not in the school or with the scholars, but with parents, in the blind, unreasoning spirit of caste—the *débris* of slavery—which is strongest with the more ignorant and vicious.

At all events, the blacks are citizens of the United States, armed with the ballot, and with equal rights and privileges, and entitled to equal immunities and advantages; and it is not for us, as Republicans, to deny them any of the rights essential to their manhood, from a feeling of caste or prejudice, arising from race, or color, or condition. They have borne their part in the conflicts through which we have passed, and we must not shrink from fairly enforcing the guarantees which we have given them. The Republican party is the only one possessing the courage and disposition to enforce this guarantee; and

we owe its enforcement to our honor, as well as to the logic of the lofty principles which have guided us. I voted for the civil rights bill now pending in the House of Representatives, not only because I thought it was right, but because I felt bound, in honor, to stand by and enforce the great amendments to the Constitution—the pride and boast of the Republican party, and the connecting link by which the immortal Declaration of Independence was made a part of our frame of Government. I have seen, one by one, the narrow prejudices of caste, which denied to the black race the rights of human nature, melt away without evil results; and I wish to see this work completed and perfected by local or State authority, by securing to all men who are citizens of the United States precise equality in all civil and political rights, whether those rights tend to protect their person and property, or to lift them above degradation. The unavoidable influences of wealth, birth, caste, and education, in lifting men in social life above their fellows, are surely enough to create inequality among men, without appealing to local law or prejudice, whereby to force a man to occupy a lower plane than his native abilities and equal opportunities would give him. The Republican party of Jefferson demanded equality before the law of all white men. How strange it is that we have to contend with a party, calling itself Democratic, for the right of all to equal opportunities to rise and become men, the equal of other men!

Not only are these rights disputed, but in some parts of the Southern States the right to live and labor, and to enjoy the fruits of labor, is practically denied. The spirit of Ku-Kluxism is only smothered. We hear daily of murders, outrages, and wrongs, that may lead at any time to a war of races. If the Democratic party were now in power, the tendency to restore a condition of slavery in the South would be overwhelming; and then, instead of a civil war between sections, we should have a war between races. We now hear of fraud, force, and violence in the South. These can be arrested only by peace and time. But, if you add to these evils an open war between distinct races of men who live together, waged, as such wars always are, by assassination and the torch, you will have San Domingo over again, with all its nameless horrors. The easiest way, the only way, to avoid them all is to place by law all the rights, privileges, and immunities created by the law, upon precisely the same footing as to all citizens. Then, with equal opportunities, let each rise or fall, according to his merits and industry.

Fellow-citizens, there is another guarantee which we, as Republicans, are bound to see fulfilled. It is section four of the fourteenth amendment to the Constitution of the United States, as follows:

The validity of the public debt of the United States, authorized by law, including debts incurred for payment of pensions and bounties for services in suppressing insurrection or rebellion, shall not be questioned. But neither the United States nor any State shall assume or pay any debt or obligation incurred in aid of insurrection or rebellion against the United States, or any claim for the loss or emancipation of any slave; but all such debts, obligations, and claims shall be held illegal and void.

No one can doubt that the Republican party will faithfully and



honestly observe this guarantee ; and it is equally certain that a large portion of the Democratic party openly seeks to impair the validity of the public debt of the United States. Direct and open repudiation would probably be sanctioned by a majority of the Democratic party in the late rebel States. But this form of attacking the validity of the public debt is not the most dangerous one. The Indiana State Convention adopted a series of resolutions, of which these are the first three :

1. That we are in favor of the redemption of the five-twenty bonds in greenbacks, according to the law under which they were issued.

2. We are in favor of the repeal of the law of March, 1869, which assumed to construe the law so as to make such bonds payable exclusively in gold.

3. We are in favor of the repeal of the national banking law, and the substitution of greenbacks for the national bank currency.

These resolutions, taken together, would directly invalidate and repudiate the great mass of the debt of the United States. They declare that the five-twenty bonds shall be paid in greenbacks ; and not only with greenbacks issued when the bonds were issued, but with new greenbacks, issued now, in express violation of the loan acts. By the act of March 18, 1869, the public faith was pledged that the bonds should be paid in coin. This act not only was in accord with the public judgment, but has been acquiesced in for five years ; and the five-twenty bonds have in consequence risen in market value to par in gold. Five hundred millions of them have been paid in coin by the Government, and new bonds have been issued. An attempt now to disturb the settlement made by the act of March, 1869, is a wanton and foolish breach of public faith, pledged by that act. And the proposition, now boldly made—to issue new greenbacks in express violation of an act under which the five-twenty bonds were issued, in order to pay off these bonds with notes not bearing interest—is a direct repudiation of the public debt. If it were possible to commit a crime by the announcement of an atrocious political dogma, this would be a crime. It will create uneasiness and impair American credit to the precise extent that it gains strength and belief. And I believe that these resolutions present the opinion at this day of the disloyal elements of the South, and of those in the North who sympathized with them during the war.

The platform of the Indiana Democracy has been adopted by the Democratic Convention of Tennessee. The current is widening and deepening ; and now in Ohio—which never shrank from the burden of her debt, never for a moment violated her faith, never even listened to such advice, except in the almost forgotten days of Byington and McNulty, and then, rejecting their counsel, sold her bonds at fifty cents on the dollar to pay her interest—even in Ohio, which we proudly claim as a model State, the Democratic party, in its recent Convention, looks suspiciously toward repudiation, but does not boldly, like the Indiana Democracy, assert its purpose to commit it. The Ohio Democrats resolved as follows :

That the Democracy of Ohio reiterate their declaration that the five-twenty bonds, by the letter and spirit of the law, and the general understanding of the community, were payable in legal-tender notes ; and the act of March, 1869, which

pledged the faith of the nation to their payment in coin, was an unnecessary and wicked sacrifice of the interests of the tax-paying laborers for the benefit of the non-tax-paying bond-holders.

The Indiana Democrats assert as follows :

That we are in favor of the redemption of the five-twenty bonds in greenbacks, according to the law under which they were issued.

The Ohio Democrats do not say that they will pay the bonds in greenbacks. They stop short of that, and denounce the act of March, 1869. They say that the bonds were payable in greenbacks, but do not say whether they may now be so paid. It is a most lame, pitiful, and impotent conclusion. If this policy of reopening the questions settled by the act of March, 1869, is not sheer demagogism, it is, by far, the most important issue of this canvass. Prior to 1869 there were some honest differences of opinion as to the proper construction of our loan laws. Mr. Pendleton contended that the public debt, in the form of bonds, might be paid off by an unlimited issue of greenbacks, and thus practically repudiate the whole of them. Governor Morton claimed that the bonds might be paid in greenbacks, kept within the limit of the \$400,000,000 authorized by the loan acts. But the great body of both the Republican and Democratic parties held that the bonds could be paid in gold coin only. This dangerous controversy greatly affected the public credit, and entered into the canvass of 1868. The act of March, 1869, was universally regarded as forever settling this question. It declared that the public faith was pledged to the payment of both bonds and notes in coin. It was passed by a Congress fresh from the people, by a vote of 98 yeas to 47 nays in the House, and in the Senate by 42 yeas to 13 nays. It was the first act approved by President Grant. It was universally acquiesced in. The effect of the act was immediately to advance the public credit. It led to confidence and prosperity, and the rapid payment of the public debt. Under the policy thus inaugurated, \$382,000,000 of the debt has already been paid, the rate of interest has been reduced on \$500,000,000 more of the debt still due, and an annual saving of over \$25,000,000 of interest has been made. A period of unexampled prosperity also set in, which has been checked only by a too rapid development of distant and unproductive railroads.

Gentlemen, the reopening of this controversy is a real calamity. The failure of confidence in railroad investments was the cause of the recent panic. This swept away fortunes as by a hurricane. Its receding waves still paralyze business, and especially in the production of iron and its manufactures. What, then, will be the effect of destroying confidence in public securities and the public faith? What will be the effect of hastening home our discredited debt? What will be the result, if the United States should now, in violation of the public faith, begin to pay out its newly printed notes in payment of bonds? It is this danger to the public credit that ought now to be grappled with and throttled by the people of Ohio, with the fierce energy with which they grappled and throttled Vallandigham in 1863. Untarnished honor—honor so pure that it is not only free from open fault, but from

even the shadow of it—this is the pride of a State. Men, as individuals, may not attain it, but organized States can. Fellow citizens, this movement, whether under the open flag of repudiation raised by the Indiana Democrats, or under the covert, evasive threat of repudiation in the Ohio Democratic platform, is dishonor—shameless, palpable, and flagrant—with which we Republicans have this day made issue.

Again I call your attention to the second clause of the fourteenth amendment, read by me. It provides that neither the United States nor any State shall assume to pay any debt or obligation in aid of the rebellion—or any claim for the loss or emancipation of any slave. This provision also is in constant danger of violation. Claims which grew out of aid given to the rebellion have been assumed by States under the control of the Democratic party. One of the dangers that now threaten our future is the assumption by the General Government, through the agency of the Democratic party, of an overwhelming mass of Southern claims growing out of the war. Heretofore, by the careful watchfulness of the Republican party in Congress, the payment of war claims in the Confederate States has been confined to such as were for supplies furnished to our army and such claims as, by the well defined laws of war, a belligerent ought to pay for supplies furnished in an enemy's country. Even these are enormous. I read you a statement recently made by Judge Lawrence, of Ohio :

Some idea of the magnitude of these claims may be had by the fact that those presented to the Commissioner of Claims reach \$50,033,764. Those now pending before Congress reach about \$20,000,000, many of which are test claims, which, if successful, will be followed by very many millions more. The judgments of the Court of Claims for the year 1873 amounted to \$439,034. The claims paid under relief acts by Congress for the same year were \$797,748. I can not state the amount paid on allowance of the Departments, but it was immense, and included \$1,960,679 for claims for captured and abandoned property.

Senator Davis, in his speech of May 13, estimates that all pending war claims before the Departments, the Commissioners of Claims and Congress, number 30,242, aggregating \$88,547,121.

This vast volume of claims might easily be enlarged, by the adoption of plausible rules, so as to include several hundred millions of dollars, and thus add many of the losses suffered by the rebels to the burden of our public debt. This, the Democratic party, if in power, will be sure to do; for there has yet been no such case or class of cases presented that the Democratic members have not voted for. A Democratic Congress means a vast enlargement of the public debt, by the assumption of rebel claims. This is not a fanciful danger.

Not only is there danger of the National Government being overburdened with debts caused by the rebellion, but now, daily, the actual services rendered and sacrifices suffered by leading rebels are rewarded by the Democratic party—not for acquiescence in the results of the war, as in the case of Longstreet and others, but as a direct reward and compensation for services rendered to the Confederate States, and as a mark of honor for duty done. Persons without number have been appointed and elected to office in Democratic States, solely because

they were active, zealous, and able officers and agents of the Confederacy. Such service is almost a prerequisite for office in some of the Democratic States. It may be said that the right to vote precludes all question of the reason for a vote; but, when we are invited to join the Democratic party, we may well inquire into the motives that inspire and the influence that controls that party in the States where it has full power. It sometimes, in the Northern States, adopts a resolution similar to that adopted by the Democratic Convention in Indiana: "That we bear in grateful remembrance the sacrifices made and the services rendered by the gallant soldiers of the late war in defense of the Union;" but, in a great majority of the Democratic States, resolutions applauding the services and sacrifices of the rebels against the Union would be received with applause. The animating and controlling motive of the Democratic party is now, as it was during the war, either to apologize for or to defend the rebels who sought to overthrow the Union, and to decry and undo what was done in defense of the Union.

Fellow Republicans, the true path of safety and of duty demands that we, who have written these guarantees upon the Constitution and the laws, shall stand together in hearty and warm political association, until all of them are executed and enforced. Until then, the mission of the Republican party is not accomplished. We know that that party will maintain and enforce the rights guaranteed by the constitutional amendments. It will protect and shield the public faith from dishonor and repudiation. It will prevent in the future, as in the past, the payment of losses incurred by rebels during the war. It will not permit the burdens which the Confederate States incurred in the rebellion to be shifted to the shoulders of loyal people. The results of the war, its achievements and its honors, are the pride and glory of the Republican party, and that party may be trusted with every question which may hereafter grow out of the war; while the Democratic party will instinctively waste the fruits and fritter away all the results which that war effected.

But, fellow citizens, I have perhaps occupied too much time with the still unsettled issues of the war. Allow me to say that we can not and ought not to rely solely upon the honorable record of the Republican party in the past. A party which assumes to administer a Government like ours must keep pace with the changing events of the time. Every year has its own issues; and even good principles and good conduct do not always solve, with success, new issues. In a very brief period the whole round of political questions changes. This is especially true now. Twenty years ago, in the warm enthusiasm of a great and overshadowing issue, we entered the lists to curb the political power of slavery. Later on we conducted war on a gigantic scale, to preserve the Union. Still later we successfully solved all the difficult questions that grew out of reconstruction. And during all that interval we devised, molded, and administered with success, all the financial agencies of a period of unexampled energy. It is only within a very brief period that we have approached a state of peace, with no overriding issues to rally us, and nothing to occupy us but the

quiet and usual pursuits of productive industry. Under these circumstances it is our duty, while guarding well the results of the past, to thoughtfully examine and master, if we may, the questions of the future. It is the hope of that future that animates and inspires a race like ours. I believe that the Republican party is so organized and composed that it can, better than any other party, old or new, meet the requirements of the new condition of affairs—a state of rest and quiet, in which industry, economy, and prudence take the place of courage, vigor, and audacity. We are now dealing with quiet citizens, each endeavoring to earn an honest living, and with the hope of saving a little for a rainy day, and not with men excited by the passions of a great conflict.

Now, if I were called upon to specify the first great requisite of a party to enable it to successfully administer the Government in these new times, I should say it is economy, economy, economy. This is the most difficult virtue to practice, especially after a period of great expenditures. It would be easy to show you, gentlemen, that the Republican party in Congress has entered upon the true course, by reducing by twenty-seven millions the expenses of the National Government for the current year. But there is ample room and verge for a greater reduction, and I believe there is an honest purpose in Congress to carry out this policy of economy. What we most need is a very large reduction of local taxes, and, still more, a very great limitation of the power of local taxation. At present, innumerable local authorities—counties, towns, cities, districts, boards, etc.—have authority to levy taxes, until they amount in many instances almost to confiscation. Although this question does not enter into our canvass, yet it answers at once all this cry of burdensome taxes. They are local, not national, questions, and here the people of Ohio, whenever they have an opportunity, ought to put in the plow of the Granger. Has the Accidental Democratic General Assembly of Ohio shown any capacity to reduce taxes or expenses? I think not. It was too eager, in the chase for the few offices connected with our penitentiary and asylums, to do any act of usefulness. The best I can say for it is, that it was so shattered into factions that it could not do several evil things which it attempted. Upon this question of local taxation we ought to have no party, or soon all incomes will be absorbed by taxes.

The next object which we ought to have in view is to return to a specie standard as rapidly as practicable. Now, I know that upon this question there is a wide difference of opinion, and we ought not to be intolerant with each other when we differ. Still I believe that the intelligent voice of the people is that we can not attain real prosperity, in which no man can be cheated with false values, until our labor and productions are measured by the gold standard. We had months of weary talk in Congress on this subject, and although we took no positive, direct step toward a specie standard, yet we did prevent, and I trust forever, any retrograde movement in the opposite direction. The general result is that no measure can now be adopted which will lead us from a specie standard, while we will in due time agree upon some decided though moderate measure, which shall hasten the time when

the dollar of our paper money will buy as much as a dollar of real money. Nor will this result, when attained, deprive us of the useful agency of paper money, whether in the form of bank notes, or of United States notes, or of both; but it will make this paper money what it promises to be—an equivalent of coin—when the only test of its proper quantity will be the amount of it that can be maintained at par with coin. On this question, I am sorry to say, we, as Republicans, are not entirely agreed, although we are far better off in this respect than our adversaries. The law of the last session of Congress, though not what any of us hoped for, has resulted and will result beneficially, and is in the right direction. The long-standing, sectional complaint about the distribution of national bank circulation has been amicably settled. Banks may now be organized in any of the Southern and Western States, and this, not by the increase of depreciated notes, but by the transfer of circulation from the East, where they have more than their share, to the West, where they have less. Our grievance was not that we needed the circulation, but that we were unjustly deprived of our right to it. This law also settled the dangerous power claimed by the Secretary of the Treasury, to increase, at his pleasure, the volume of paper money to the extent of forty-four millions of dollars. It also provided a system of actual redemption, by which the people will get clean, new bank notes for the mutilated, dirty, and defaced notes we have had. O, for one step further, to make these notes as good as gold! And it needs only courage to take it. I hope and trust that the Republican party will take this step. It will, by so doing, complete the system of great financial measures which that party has had the honor to propose and adopt.

The next most important and difficult question which, as a party, we must meet, is the reduction and simplification of the national taxes; and upon this point the people have the assurance of what we have done in the past, as a guarantee and guide for the future. We have rapidly and wisely—perhaps almost too hastily—reduced and simplified taxes. From taxes on all incomes and productions, we have come down, with but few exceptions, to taxes on spirits, tobacco, beer, and imported goods. The few remaining stamp-taxes will probably be repealed next winter, and, no doubt, would have been repealed last session, except for the continued influence of the panic in reducing our revenue. The present excise taxes on whisky, tobacco, and beer, have been carefully adjusted, and are, I believe, as honestly levied and collected as is possible. I think no changes ought to be made in these, except to remedy defects in the machinery, when discovered. As to the duties on imported goods I may safely affirm that the present tariff is far more certain, specific and productive than any ever before existing in this country. In comparison with the tariffs of 1842, 1846 and 1861, it is better in every particular. It is better than the former tariffs in the very direction in which it can be still further improved. A greater number of the duties are specific, and the classifications are more simple. Still, in these particulars our present tariff laws can and ought to be improved. In every case which the nature of the article will admit of, the duty should be specific, and all similar articles should

be classified into schedules, and with descriptive words impossible to be misunderstood. These laws ought to be codified, as many additions and changes have been made, without specifically repealing the old laws. The duties and powers of the revenue officers should be defined and simplified, though this was largely done during the last session. This subject of the tariff, which forty years ago threatened revolution, and which, for years, was the leading cause of division between national parties, has now become a matter of detail, sometimes a question of locality, and frequently the subject of the meanest demagogism. It should be now treated purely as a business question—as a method of collecting revenue in the cheapest and easiest way. I do not fear that any material change in the principles upon which the tariff is framed will soon be made, though new details of rate and classification may be adopted. As a means of revenue, it has proved its success, by furnishing us, steadily, nearly \$200,000,000 of gold a year: and as a measure of political economy it has largely contributed to the unexampled increase of all forms of domestic industry, making us, already, with our brief national history, the second nation in production in the civilized world. Surely in this branch of our national politics the Republican party may safely enter the lists with our old adversaries.

There are two topics that are likely to enter into our political controversies which have not yet been so developed by discussion as to justify me in defining the position of the Republican party upon them, if, indeed, they are capable of being made political issues. I mean the transportation and labor questions. And as to both of these, I know of no better rule of action than to leave them to the laws of supply and demand, without invoking the power of the Government to control either wages or rates. It is the right of every man to get as much for his labor as he can; and, to avoid undue competition, he is at perfect liberty to agree or combine with others in refusing to work or to do any lawful act which may make his work more valuable. But any act done by him with a view to prevent others from working, or to deter or hinder a like liberty in others, is an unlawful act, to be prohibited and punished according to its degree. Lawyers, doctors, preachers, literary men or laborers, must be governed by the same law—and that the highest law—and be permitted to work when, where, and as much or as little as they choose, and to get as much as they can for their labor. Actual freedom to all, to employ or to be employed at any lawful business, without fear or favor, without threat or intimidation, and to get all that they can for their labor, is the primary law which sprang from the curse that fell upon Adam. This principle applies to corporations as well as to individuals, but with this essential difference: That corporations, being creations of law, have no rights not directly conferred by law. They have no natural rights. It is perfectly within the power of the State that creates them to reserve the right to amend their charters, and to exercise that right. In view of the "strikes" and the associations of "Grangers"—the one designed to promote the interests of mining and mechanical labor, and the other those of the farmers—it is obvious that, if we are to deal with the vital issues of the hour, we must study these new phases of political strife, and be prepared to meet

them. No political organization is better able to deal with them than is the Republican party.

There is another ordeal to which the Republican party has submitted itself, to a degree never heretofore adopted by any party—namely, the duty of self-examination. It has freely and proudly courted, invited, and conducted investigations into the conduct of its most trusted agents. It has never evaded nor refused such an investigation. No anchorite ever carried his self-examination further than has the Republican party. And what has been the result? No doubt but here and there misconduct, neglect, and violations of law or of official delicacy and propriety have been discovered. When was it ever otherwise? When will it be ever otherwise? So long as governments are conducted by human agencies, such faults will continue to exist. When were they ever more severely punished than by the Republican party—or, perhaps I ought to say, by a healthy public opinion, which will now excuse less, and demands more, of public agents, than ever before? I have been a member of ten Congresses, and I can truly say that none of them has been so exact and careful in performing public duties—so free from all just suspicion or taint of corruption—so laborious and painstaking—nor so able in the general average of ability, as the present Congress. And I can also say, from history, and from my observation so far as it goes, that there has never assembled in this country a Congress more free from the vice of intemperance. I believe, gentlemen, that while the issues we are to present and discuss are changing, the moral tone, the educational standard, the general intelligence of our people, is higher, better and more advanced than ever before; and that they are prepared to demand from their political leaders and organizations more considerate measures and more thoughtful discussion than ever, without pretense on the one hand or demagogism on the other.

And now, gentlemen, in conclusion, allow me to say a few words upon a subject that has never been a political one, and which ought not to be made one now, but which will, whether we wish it or not, greatly affect political results, not only in Ohio, but in many of the States of the Union. I mean the temperance question. That intemperance is the monster evil of society, especially in English-speaking communities, is a fact which no man can dispute. It is presented daily by the bleary-eyed whisky seller, dealing out his slow poison to a depraved appetite; by the drunkard, bloated and reeling, robbed of his mind, his manhood and his honor, by what he has drunk; and by the poor wife, growing daily more faded and wan, more hopeless and homeless; by the ragged children, neglected, pinched with hunger, and shrinking with shame from healthful play, through the thought of what they see at home. Multiply this by millions and add crime in every form, the trial at the bar, the penitentiary, the scaffold, and the poor-house, and you have a picture of the evils of intemperance. God knows they are fearful enough, without adding to them the exaggerations of rhetoric. No wonder that good men and women demand, with fierce energy, that all the agencies of life—the Church, the State, political parties, prayer, speech, song, the tears of women and the courage of men—shall be arrayed against this monster. They demand that the Republican party



shall not only undertake to destroy this evil, but that it shall do it in a particular way—by prohibiting the sale of all spirituous, vinous and malt liquors. Now, while admitting the fearful evils of intemperance, while willing, as a citizen, to do all I can, by moral suasion or by law, to check these evils, I must reply that a political party is not the best possible agency to deal with this question, and that absolute and general prohibition is not the surest means to effect the hoped-for result. Let us consider these propositions a moment. Political parties are formed of men of widely differing opinions on religion, politics, morals, and the like, but who agree in some common principles affecting the frame-work of the Government, or its administration. From the composition of the Republican party, it no doubt embraces a great portion of the temperance men of the country; but it also embraces a multitude of other men, who may differ as to the principle or proper mode of dealing with the evils of intemperance. Must we abandon our political principles, and drive from us those who agree with us on political topics, merely to do as a party what we can now do as citizens? As citizens, we can vote for temperance men; we can use our moral, social and political influence to make and enforce wise temperance laws. We can invoke the aid, not only of Republicans but of Democrats, for that work. We can organize societies, can lecture, speak, pray, exhort, and get others to do likewise. It is sheer folly, in my humble judgment, for those who would destroy intemperance to invoke the agency of a political party to secure the passage of a prohibitory law. It is far better to leave such a question to the constantly improving morals and education of the whole people of Ohio, as represented in our General Assembly. It is purely a local question, to be decided by local law, and affecting alone the people of Ohio. Political parties represent national questions and national interests. We are able to deal with our local questions without mingling them with our national politics.

As to the measures best to be adopted, there is a wide difference of opinion. We know, by experience in many States, that a general prohibitory law can not and will not be enforced. It has the form of law, but not the force of law. In communities where a strong sentiment exists against the sale of liquor, such a law may be enforced, and this can be fully accomplished by a local option law. From my observations in different States and in Europe, I am satisfied that a much wider distinction should be made by our laws between the sale of spirituous and of vinous and malt liquors. Distilled spirits, as now made and used as a beverage, are necessarily poison; while beer and wine may be harmless, and in many cases are beneficial. We know that in France, Germany, and Italy, where wine and beer enter into the consumption of every household, as tea and coffee do with us, a drunken man is rarely seen, and is promptly arrested as a criminal; while in Scotland, Ireland, and England, and in many of the States, where whisky is a beverage, drunken men daily stagger, with the unquestioned right to the public highway. I give you, as my opinion, for which no one else is responsible, that a judiciously imposed tax on liquor sellers—yielding annually to the people of Ohio not less than one million of dollars of revenue—and which carefully discriminates

against the whisky seller, together with a local option law, and the enforcement of the Adair law, would be a far better system of temperance measures than any prohibitory liquor law that can be framed or enforced. But, above all, I contend that every Republican of whatever creed or nationality, shall be free to vote, believe, and act on this question as he thinks right, being responsible only to public opinion and the law for his conduct. It is not rightfully a political question, and ought not to be made one.

Let the Republican party, then, with its honorable record, meeting fairly every question of the hour, evading nothing, following, as of old, its instinctive love of liberty and equal rights, with strong sympathy for those that labor in every field of employment, with a love of country that will not for a moment listen to disunion or dishonor, without prejudice of race or caste, and with the practical common sense which has guided it thus far—let this party enter the lists before the people in the usual way, and the despondency caused by the partial defeat of a year ago will disappear like the mists of the morning, and Ohio will again be, as it has been for years before, the head of the Republican column.

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## THE RESUMPTION ACT.

*IN THE SENATE, DECEMBER 22, 1874.*

THE bill to provide for the resumption of specie payments being before the Senate, Mr. Sherman said:

MR. PRESIDENT: I do not intend to reopen the debate on financial topics of the last session. That debate was carried to such great length that it was not only exhaustive, but it was exhausting, not only mentally but physically. The Senate is composed of the same persons who shared in that debate, and it is utterly idle for us in this short session to reopen it and to invite the discussion of its various topics. The Senate is now within less than three months of its adjournment, and there is a general feeling throughout the country, shared by all classes of the people, that this Congress ought to give some definite notice to the people of this country as to their purpose in the important topics embraced in this bill; and I say to Senators on all sides of the house that this bill contains enough to accomplish the important object declared by its title, and this without reviving all the troublesome and difficult questions which were discussed at the last session. It contains a few simple propositions which may be separated from the mass of financial topics discussed at the last session. Its purpose is declared by its title, "An act to provide for the resumption of specie payments." Every word, every line, and every provision of the bill is in harmony with the title. The bill will tend to promote the resumption of specie payments. It may fall short in many particulars of the desire of some Senators; and it does go further in that direction than some Senators

were willing to go at the last session. It is a bill which demands reasonable concession from every member of the Senate. If we undertake to carry out the individual views of any Senator we can not accomplish the passage of any bill to promote this object, and therefore this bill has demanded of every one who has consented to it thus far a surrender of some portions of his opinions as to measures and means to accomplish the great purpose. I will consider my duty done as far as this bill is concerned by simply stating its provisions and calling attention to the character of these provisions, without entering into a single topic that gave rise to the long discussion at the last session.

The first section of the bill provides for the resumption of specie payments to the extent of the fractional currency. It is confined to that subject alone. It so happens that the state of the money market, the state of the demand for silver bullion, and more especially the recent action of the German Empire, which has demonetized silver and thus cheapened that product, enable us now, without loss of revenue, without any sacrifice, to enter the market for the purchase of bullion and resume specie payments of our fractional currency. The market price of bullion to-day will enable the Government of the United States, at a price about equivalent to or perhaps a trifle above its fractional currency—scarcely a shadow above it—to purchase silver bullion in the money markets of the world, mostly, perhaps entirely, of its own production. This section simply directs that the Secretary of the Treasury shall purchase this bullion and shall coin silver coin and substitute it in the place of fractional currency. To that extent it is a resumption of specie payments upon the silver standard for the fractional currency. It is recommended not only by the Secretary of the Treasury and the President of the United States, but I believe it will meet the general concurrence of every member of the Senate, and we fortunately are enabled to embrace the present time to commence this operation without any loss to the Government, except perhaps that the cost of the coinage of this silver may have to be paid out of the Treasury of the United States. That coinage may be done in the ordinary course of business without any increase of expenditures. The mints of the United States are prepared, immediately upon the passage of this bill, to resume the coinage of silver coins of all the legal denominations. Therefore the committee have provided that the Secretary of the Treasury shall proceed to coin the silver coins and in one of several ways to issue them in the place of fractional currency.

I need not dwell further upon this section, because I believe it will meet with the general assent of the Senate. It provides for the immediate resumption of specie payments to the extent of the fractional currency, or at least as immediate as possible; that is, as soon as the Government of the United States can in the mints of the United States coin the silver coin. That process may continue one, two, or three years, how long we can not tell, depending entirely upon the force that may be employed for the purpose. It takes a much longer time to coin these small coins than a like amount of gold coins.

The second section of this bill simply removes an inducement that now exists to export our gold bullion from the United States to Great

Britain, where by the long-established laws of that country they coin money free of charge. This section involved the surrender of about \$85,000 a year of revenue; that is, the Government of the United States received last year for coining gold coin \$85,000, or one fifth of one per cent. on forty-five millions of gold coined. The only sacrifice of revenue, therefore, by the second section of the bill is the sacrifice or surrender of \$85,000, which heretofore has been levied upon those who produce gold bullion in order to convert it into coin. In the opinion of many men, among them the Secretary of the Treasury, the Director of the Mint, and perhaps a large number of Senators heretofore, this will tend, in a slight degree at any rate, to prevent the exportation of the gold of our own country into foreign parts, because when the Government of the United States undertakes to put gold bullion into the form of gold coin without additional charge the tendency will inevitably be for the gold bullion to flow into the mints for coinage; and being put into the form of American coin, it is thought by a great many people that this will tend to prevent its exportation. To the extent it does so it prepares us for specie payments. That is the whole of the second section.

The third section of the bill contains only two or three affirmative propositions. The first is that after the passage of this act banking shall be free. Perhaps there is no idea stronger in the minds of the American people than that of hostility against a monopoly—a privilege that one man or set of men can enjoy which is denied to another man or set of men. Under the law as it now stands banking is substantially free in the Southern and some of the Western States; but banking is not free in the great commercial States, in the older States, where wealth has accumulated for many years. This may be a mere sentimental point, but it is well enough to meet it; and by the operation of this bill banking is made free, so that there will be no difficulty hereafter for any corporation organized as a national bank either to increase its circulation or for banks to be organized under the provisions of existing law to issue circulating notes to any extent within the limits and upon the terms and provisions of the banking law. This section, therefore, by making banking free, provides for an enlargement of the currency in case the business of the community demands it, and in case any bank in the United States may think it advisable or profitable to issue circulating medium in the form of bank notes under the conditions and limitations of the banking law. Coupled with that is a provision that as circulating notes are issued, either by old or new banks, the Government of the United States will retire eighty per cent. of that amount of United States notes. In other words, it proposes to redeem the United States notes to the extent of eighty per cent. of the amount of bank notes that may be issued; and here is the first controverted question that arises on this bill and the first that is settled. It may be asked, if we provide for the issue of circulating notes to banks, why not provide for the retirement of an equal amount of United States notes? The answer is that under the provisions of the banking act, by the law as it now stands, a bank can not be organized and maintained in existence unless the reserve which is in that bank, or

required for that bank in the ordinary course of business either on its deposits or circulation, is at least equal to twenty per cent. of the amount of its circulating notes, so that it was believed, according to the judgment of the best business men of the country, and I may say of the Comptroller of the Currency, that the retirement of eighty per cent. of the amount of bank notes is fully equivalent to keeping the amount of circulating medium in actual circulation on the same footing, so that this provision of the bill neither provides for a contraction nor expansion of the currency, but leaves the amount to be regulated by the business wants of the community, and so that when notes are issued to a bank eighty per cent. of the amount in United States notes is redeemed, and this process continues until United States notes are reduced to three hundred millions.

Now, Mr. President, that is all there is in regard to banking in this bill and also in regard to the retirement of the United States notes until the time for the resumption of specie payments comes, when this bill provides for actual redemption in coin of all notes presented. It has always been a question in the minds of many people as to whether it is wise to fix a day for specie payments. That matter was discussed at the last session of Congress by many Senators, and the general opinion seemed to be that, if we would provide the means by which specie payments would be resumed, it might not be necessary to fix the day; but, on the other hand, it is important to have our laws fix a probable time, or a certain time, when everybody may know that his contracts will be measured by the coin standard. We also know that other nations which have found themselves in the condition in which we are now placed, and some of the States when specie payments were suspended, adopted a specific day for the resumption of specie payments. In England, by the bank act of 1819, they provided for the resumption of specie payments in 1823, making four years. In our own State—in New York, in Ohio, in nearly all the States—when there has been a temporary suspension of specie payments, a time was fixed when the banks were compelled to resume, and this bill simply follows the example that has been set by the States, by England, and by other nations, when they have been involved in a like condition.

This bill also provides ample means to prepare for resumption, and to maintain it. I may say the whole credit and money of the United States are placed by this bill under the direction of the proper executive officers, not only to prepare for resumption, but to maintain it, and no man can doubt that, if this bill stands the law of the land from this time until the 1st day of January, 1879, specie payments will be resumed, and that our United States notes will be converted at the will of the holder into gold and silver coin.

Mr. President, these are all the provisions contained in this bill. They are simple and easily understood, and every Senator can pass his judgment upon them readily.

Now I desire to approach a class of questions that is not embraced in this bill. Many such questions, and I could name fifty, are not included in this bill; and I may say this: that if there should be a successful effort by the Senate of the United States to ingraft any of this

multitude of doubtful or contested questions upon the face of this bill it would inevitably tend to its defeat. I am free to say that if I were called upon to frame a bill to accomplish the purpose declared in the title of this bill, I would have provided some means of gradual redemption between this and the time fixed for final specie payments. All of these means are open to objection. There have been three different plans proposed to prepare for specie payments, and only three.

One is what is called the contraction plan. The simplest and most direct way to specie payments is undoubtedly the gradual withdrawal of United States notes or the contraction of the currency. Now, we know very well the feeling with which that idea is regarded not only in this Senate, but all through the country. It is believed to operate as a disturbing element in all the business relations of life; to add to the burden of the debtor by making scarce that article in which he is bound to pay his debts; and there has been an honest, sincere opposition to this theory of contraction. Therefore, although it may be the simplest and the best way to reach specie payments, it is entirely omitted from this bill.

The second plan, one that I have favored myself often, and would favor now if I had my own way and had no opinion to consult but my own, is that of converting United States notes into a bond that would gradually appreciate our notes to par in gold. That has always been a favorite idea of mine. There is nothing of that kind in this bill except those provisions which authorize the Secretary of the Treasury to issue bonds to retire the greenbacks as bank notes are issued, and to issue bonds to provide for and to maintain resumption. I therefore have been compelled to surrender my ideas on this bill in order to accomplish a good object without using the means that have been held objectionable by many Senators.

The third plan of resumption which has been favored very extensively in this country is that of a graduated scale; what I call the English plan. That is, that we provide now for the redemption at a fixed rate or scale of rates of so much gold for a specific sum of United States notes. At present rates we would give about \$90 of gold for \$100 of greenbacks, and then provide for a graduated scale by which we would approach specie payments constantly, and reach it at a fixed day. This may be called a gradual redemption. This, also, is objectionable to many persons, from the idea that it compels us to enter the money markets of the world to discount our own paper. It is an ideal objection, but a very strong objection; an objection that has force with a great many people. We have undertaken to redeem these notes in coin, and it is at least a question of doubtful ethics whether we ought to enter into the markets of the world and buy our own notes at a discount. Although that plan was adopted in England and successfully carried into execution, yet there is a strong objection to it in this country, and therefore that mode is abandoned. Either of these plans I could readily support; but they have met and will meet with such opposition that we can not hope to carry them or to ingraft them in this bill without defeating it. We have then fallen back on these gradual steps: first, to retire the fractional currency; second, to reduce

United States notes as bank notes are increased; and then to rest our plan of redemption upon the declaration made on the faith of the United States that at the time fixed by the bill we will resume the payment of the United States notes in coin at par. That is the whole of this bill.

Not only are all these plans of gradual redemption omitted from the bill, but there are also many troublesome questions omitted from the bill. If we undertake to define precisely what shall be done four years hence on the resumption of specie payments, to say whether the legal-tender act shall then be repealed, or whether it shall be repealed before or not, we enter upon a very difficult field, and will undoubtedly divide the Senate and divide the country. Is it not better to postpone, until the time comes to meet them, these questions which must then arise, rather than to engage in an attempt to settle them now, four years in advance?

We declare the time when specie payments shall be resumed in order to give fair notice, so that market values for the future may be adjusted and so that people will prepare themselves for resumption. Our people may then base their transactions upon that solemn declaration made by Congress.

In regard to the other point as to the reissue of the fractional currency, it will be seen that the first section is carefully worded to require an equal amount in number and denomination of the fractional currency to be redeemed, and that this process is to continue until the whole amount of the fractional currency outstanding shall be redeemed. But it is said that perhaps after all this is done we can not compel people who hold the fractional currency to present it for redemption. It must be remembered that we can not coin sufficient money to redeem all the forty-seven millions now outstanding in less than three years. The question is raised whether at the end of the three years during which this process will go on we shall provide by peremptory law that the fractional currency shall not be reissued under any circumstances. We do not undertake to do it, and I simply say that we should leave this question just where the section leaves it. We have provided for the sure and certain redemption of this fractional currency in a course of time which can not exceed three years, and therefore we do not propose to go further and decide whether it may be issued again or not. Until it is fully redeemed the currency can not be reissued, and then it will be time enough to determine its issue or reissue.

In regard to the absolute cancellation of the legal-tender notes that may be redeemed under the operations of the free banking clause, that matter is also provided for in the same way:

And whenever, and so often as, circulating notes shall be issued to any such banking association, so increasing its capital or circulating notes, or so newly organized as aforesaid, it shall be the duty of the Secretary of the Treasury to redeem the legal-tender United States notes in excess only of \$300,000,000 to the amount of 80 per cent. of the sum of national-bank notes so issued to any such banking association as aforesaid, and to continue such redemption as such circulating notes are issued until there shall be outstanding the sum of \$300,000,000 of such legal-tender United States notes, and no more.

How long will it take before this contingency shall arise? How

long will it be before \$100,000,000 of circulating notes will be issued to national banks? How long will it be before this process comes to such an end that the question is at all material? No one can tell how fast these notes will be issued, or how rapidly they will be called for. In the present condition of affairs none probably will be issued, but no doubt with the revival of industry, with the local demand for banks here and there, with the probable new wants of currency made necessary by the increase of business, banks will be organized, how rapidly no man can tell. At any rate the question is not material until the whole amount of \$82,000,000 is reduced, until the limit of \$300,000,000 is reached. It is therefore scarcely necessary for us to ingraft in this bill provisions that will undoubtedly lead to controversy and dispute, in order to meet a question that will be provided for in the future.

At all events I say frankly that we do not propose to decide that question in this bill. I have no doubt that, when the time arrives when the question becomes material, it will be met. Undoubtedly until the reduction of the United States notes to \$300,000,000 they can not be reissued. The process must go on *pari passu* until the amount of legal-tender notes is reduced to \$300,000,000. Before that time will probably arrive in the course of human affairs, at least one or two Congresses will have met and disappeared, and we may leave to the future these questions that tend to divide us and distract us, rather than undertake to thrust them into this bill and thus divide us and prevent us from doing something in the direction at which we aim.

It is said that the bill is open to the construction that the Secretary of the Treasury may gather up the 80 per cent. as a reserve and reissue the notes again, and that it is the intent of those who made the bill that it shall be open. I leave that question to be decided upon the law as it stands. The case that is put of what I regarded as an illegal issue of notes probably may never arise, and certainly it can not arise for a considerable period of time. But if there is any doubt upon that question, I leave every Senator to construe the law for himself; and if there is a doubt about it, I say it is not wise as practical men dealing with practical affairs, seeking to accomplish a result, to introduce into this bill a controversy which will prevent that unity that is necessary to carry the good that is contained in this bill.

I am asked whether in my own mind the bill is open to that construction.

I do not care to give my opinion now. I have given my opinion once or twice before in regard to these questions. For instance, I gave my opinion when a bill was originally before the Senate four or five years ago that the reserve which was provided in that bill could not be reissued, and yet that opinion did not control the Secretary of the Treasury for the time being. I prefer to leave that question where the law leaves it, and to the judgment of that Congress that may come hereafter.

But the question is asked whether we should pass a bill on a subject like this, so delicate and so important, the meaning of which is so obscure that the champion of the bill has to admit himself that its construction will be left to the courts of the United States.



In supporting a bill of this kind, I do not meet all possible questions that may arise in its construction, and no human mind could do it. I know this, and upon this rock I stand: that this bill has provisions in it which tend to accomplish the purpose which I have so diligently sought, and I will not seek to obstruct its passage or defeat it by thrusting into it doubtful questions of law or public policy which may tend to defeat it. I take this bill not as the bill that I should propose myself, a bill which itself surrenders many of my convictions as to the means to be employed to accomplish the particular purpose designed, but I take it because I see that every provision in it tends to the object sought, and I will not weaken it by putting in questions of grammar or construction which may tend to weaken and destroy it. It seems to me the language is very strong and the provisions ample and potent:

And to enable the Secretary of the Treasury to prepare and provide for the redemption in this act authorized or required, he is authorized to use any surplus revenues, from time to time, in the Treasury not otherwise appropriated, and to issue, sell, and dispose of, at not less than par, in coin, either of the descriptions of bonds of the United States described in the act of Congress approved July 14, 1870, entitled "An act to authorize the refunding of the national debt," with like qualities, privileges, and exemptions, to the extent necessary to carry this act into full effect, and to use the proceeds thereof for the purpose aforesaid.

In other words, to prepare for and maintain redemption, he may issue either a four or a four and a half or a five per cent. bond, the lowest that he can sell at par in coin. We place in his hands the surplus revenue of the Government. More than that, we here by law declare our purpose, the purpose of a Government and a people that have never violated their obligations when distinctly made, that at this time and date we will do these things which amount to a resumption of specie payments.

Now, sir, the great weakness of our currency is that we have undertaken to pay our notes in coin, and do not fulfill our promise. No man denies that obligation. It is so written upon the statute books, now six years old. But from the fact that we have not said at what time we will do it, the question is still open to rest upon the construction which each Senator and member may give to the words "as early as practicable"—an indefinite phrase at least, and one that applies to all future ages. The object of this bill and the objective point of this bill is to fix a time within which the honor of the United States is pledged to redeem these notes in coin; and that pledge, if made by Congress, and I trust it may be made by the whole of Congress of all parties and made by the whole people—that pledge, if made, will be redeemed. It is true a subsequent Congress may repeal it. Anything we can do may be repealed by a subsequent Congress. All we can do is in our time to pledge the faith of the United States to do this in the future; and if the people in their power and might, through agents hereafter elected, violate this promise, there is no power in our Government to prevent it. We only know that they probably will not do it; that a pledge thus specific, made as to a definite day and time, with ample powers given to an executive officer to execute it, will be maintained.

I desire to say one word more, that this pledge is made knowing the full extent of the obligation imposed by this law, and I believe that every Senator who votes for this bill is personally pledged—all his political influence is pledged—to maintain that declaration, just as our fathers felt themselves bound by their lives, their fortunes, and their sacred honor to maintain the pledges they made in the Declaration of American Independence.

The following is the act as passed by the two Houses :

An Act to provide for the resumption of specie payments.

*Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,* That the Secretary of the Treasury is hereby authorized and required, as rapidly as practicable, to cause to be coined, at the mints of the United States, silver coins of the denominations of ten, twenty-five, and fifty cents, of standard value, and to issue them in redemption of an equal number and amount of fractional currency of similar denominations, or, at his discretion, he may issue such silver coins through the mints, the sub-treasuries, public depositaries, and post-offices of the United States; and, upon such issue, he is hereby authorized and required to redeem an equal amount of such fractional currency, until the whole amount of such fractional currency outstanding shall be redeemed.

SEC. 2. That so much of section three thousand five hundred and twenty-four of the Revised Statutes of the United States as provides for a charge of one fifth of one per centum for converting standard gold bullion into coin is hereby repealed; and hereafter no charge shall be made for that service.

SEC. 3. That section five thousand one hundred and seventy-seven of the Revised Statutes, limiting the aggregate amount of circulating notes of national banking associations, be, and is hereby, repealed; and each existing banking association may increase its circulating notes in accordance with existing law without respect to said aggregate limit; and new banking associations may be organized in accordance with existing law without respect to said aggregate limit; and the provisions of law for the withdrawal and redistribution of national bank currency among the several States and Territories are hereby repealed. And whenever, and so often as, circulating notes shall be issued to any such banking association, so increasing its capital or circulating notes, or so newly organized as aforesaid, it shall be the duty of Secretary of the Treasury to redeem the legal-tender United States notes in excess only of three hundred million of dollars, to the amount of eighty per centum of the sum of national-bank notes so issued to any such banking association as aforesaid, and to continue such redemption as such circulating notes are issued until there shall be outstanding the sum of three hundred million dollars of such legal-tender United States notes, and no more. And on and after the first day of January, anno Domini eighteen hundred and seventy-nine, the Secretary of the Treasury shall redeem, in coin, the United States legal-tender notes then outstanding, on their presentation for redemption at the office of the Assistant Treasurer of the United States in the city of New York, in sums of not less than fifty dollars. And to enable the Secretary of the Treasury to prepare and provide for the redemption in this act authorized or required, he is authorized to use any surplus revenues, from time to time, in the Treasury not otherwise appropriated, and to issue, sell, and dispose of, at not less than par, in coin, either of the descriptions of bonds of the United States described in the act of Congress approved July fourteenth, eighteen hundred and seventy, entitled "An act to authorize the refunding of the national debt," with like qualities, privileges, and exemptions, to the extent necessary to carry this act into full effect, and to use the proceeds thereof for the purposes aforesaid. And all provisions of law inconsistent with the provisions of this act are hereby repealed.

Approved January 14, 1875.

## THE CURRENCY.

*AT MARION, LAWRENCE COUNTY, OHIO, JULY 31, 1875.*

FELLOW CITIZENS: I accepted your invitation to accompany Governor Hayes to this opening meeting of the canvass, partly from a desire to visit again this beautiful region of Ohio, but chiefly that I might present to you, in the clearest and simplest way, my view of the financial questions involved in the canvass. I am personally indebted to the people of Lawrence County for their support during my official life, and have been in hearty accord with the views that have prevailed among you. I know very well the general interests which occupy you. You have here a great diversity of employments. You are farmers, miners, and manufacturers. You sell food, coal, and iron. You suffered from the panic of 1873, and still suffer from the low price of iron. You are largely interested in questions of currency and taxation. You have among you some differences of opinion on these subjects. I therefore need not apologize to you when I say that I mean to confine myself on this occasion entirely to such topics. I am bound by my duty to you and to the people of Ohio to speak frankly upon the financial policy of the Republican party, with a confident belief that you are both able and willing to give to this policy your thoughtful consideration.

And, fellow citizens, let us approach directly the questions involved. They relate to your currency, and, incidentally, to the principles that should guide us in levying taxes on imported goods. These matters are directly presented to you by both political parties, and the decision of the people of Ohio upon them will have a wide-reaching influence upon the whole people of the United States. What do we mean by the currency question? Currency is that which, by law or custom, passes from hand to hand in exchange for labor and its productions, and for land, and all acquired wealth. Properly, the word currency includes gold and silver, as well as paper money; but, now that we have a depreciated currency, it will be best understood if we regard our currency as including only the United States notes, bank notes, and fractional currency in common use in the United States. The first and principal question is, shall this currency be made equal in purchasing power to gold and silver? Upon this question there ought to be no difference of opinion among intelligent men. By common consent, in all ages of the world, in all civilized and semi-civilized nations, both Christian and pagan—gold and silver have been regarded as the best attainable standards of value. They are not only easily made into current coin, but they are, in any form and wherever found, of intrinsic value, easily divided, indestructible, and readily transported. Different nations have tried many expedients to substitute something else as a standard of value, but experience has uniformly driven them back to gold and silver. Even now, in the United States, where we have a legal-tender paper currency, its depreciation is daily measured by the standard of gold. All our business with foreign countries, and most

of the large transactions in commercial cities, are based on gold values. And now, in spite of our law, the market value of all your productions—your wheat, your iron, your labor—is measured by gold. We deceive ourselves, as did the Israelites of old, by making gods and worshipping them. We make our paper money a legal tender, a standard of value, and naturally think it measures the price of gold. We think we see gold rising and falling for the play of the bulls and bears of New York; but it is our paper money—the public credit—that is rising and falling. Many hundred years ago men saw, as we now see, the sun rising in the East, passing over the firmament, and setting in the West. It appeared to them that the sun was a mere tender to the earth—a satellite, to render its daily offices for our use. Galileo and others proved that all this was deceptive; that the earth moves around on its axis once a day, and, as one of the smallest of the planets, on its orbit once a year; and that the sun was the center of our system, and was itself but one of innumerable stars. Though this has been demonstrated, and we all now admit it, yet we still say the sun rises, and the sun sets, just as the brokers say that gold has risen, or gold has fallen. And yet, fellow citizens, if we are not blinded by ignorance and heedlessness, we know that gold has not risen any more than the sun has risen; that gold does not go down any more than the sun goes down. It is the public credit, the promise of the United States to pay a dollar in coin, that rises and falls. Paper money is worth nothing except what it promises to be paid in gold; and then its value is in precise proportion to the expectation that it will be paid in gold, according to promise. The commercial world measures the value of our currency by its estimate or conjecture as to the time when we will redeem it in gold. All know that we have the ability to redeem it, but they speculate upon our willingness to do it, and measure in this way the depreciation of our note, just as they measure the value of an Erie Railroad bond, or any other security. Convince the commercial world that you will redeem this currency in gold when presented, and it at once becomes at par in gold. It will then buy as much food and clothing as will the best gold coin ever issued from the mint. When we can redeem it, it will be like the Frenchman's bank bill—"If you have the money I don't want it, if you haven't I do." Then the gold and the note will circulate side by side, the one interchangeable for the other. To accomplish this is now the highest object of statesmanship, and the greatest good to all classes, but especially those who labor for their daily bread.

And here, fellow citizens, you may ask: If gold is the best standard of value, why have any other money? Why have paper money at all? Why not fall back upon hard money, as the only currency? This was the old doctrine of the Democratic party of Jackson and Benton—yes, and of Governor Allen, too, forty years ago. The answer is that the experience of commercial nations has demonstrated that paper money is a great convenience in promoting exchanges. It is more portable; can be transferred more readily from hand to hand; it can be more easily guarded from thieves; and it gives life and activity to trade by substituting credit for actual coin. But all this is of paper money convertible into coin at the will of the holder—not of depreciated paper.

money. We have had in Ohio a varied experience with paper money, from the wild-cat banks that sprung into existence after the War of 1812, to our State bank system. Still, though we have suffered many losses through bad paper money, yet we may consider it as a closed question in this country that we shall continue to have some form of paper currency. The Republican party cured one defect of our old bank currency, by giving us national money of uniform value throughout the United States, instead of the local currency of State banks. What we still want is national money readily convertible into gold.

Let us examine the reasons why our currency should be made equal to gold. The first and most obvious one is that the United States promises to pay its notes in gold. Here is a dollar bill. It reads, "The United States will pay to the bearer one dollar." What is a dollar? The statutes of the United States declare a dollar to be a coin weighing twenty-five and eight tenths grains of standard gold. Why is this dollar not paid? Are we unable now, as during the war, to meet this obligation? It is said that the note does not fix the time of payment. This would be no defense by an individual in a suit at law, for the court would say that such a note is payable on demand, and would compel him to pay. The United States can not be sued, but it ought to be honest; it ought to observe those rules of honesty which it prescribes for its citizens. Admit that it has the power to say that the time of payment is a question of public policy; yet a public policy that delays the payment of such an obligation, after the nation is able to pay, seriously impairs the public faith, and sets an evil example.

Another reason why these notes should be made equal to gold is that the purchasing power of depreciated paper money depends upon the caprice of speculators, who put its value up or down, according to their whim or interest. Every holder of one of these notes finds its value daily changing. It may be worth twenty-three grains of gold to-day, and to-morrow twenty-two. It is like a variable yard-stick, or a changeable ton. Surely, a promise depending on the faith of a great nation like ours should be as unchangeable as the best gold coin ever issued from the mint.

Again, a payment with such a note, to a laborer for his hire, or to a farmer for his grain, is a delusion. The note calls itself a dollar; it promises a dollar; the United States promises to pay for it a dollar; and yet it will only buy as much as will eighty-five cents in real money. Suppose its purchasing power were made equal to coin, then the deception would cease. The United States would then have redeemed its promise, and all business transactions would rest upon real values.

But it is said that this note is good. So it is—good to pay taxes; for the taxing power agrees to take it, and the same power declares that it shall be a legal tender in payment of debts. But would it not be better if it would buy as much wheat and corn and clothing as gold will buy? It would then be good for all purposes. There is no power in human law to fix its value in gold, or wheat, or labor, or clothing. Its value changes daily. While it is good in the sense that the United States is able to pay it, it is not good in the sense that the United States does pay it according to promise. Governor Allen said, the

other day, at Newark, that the United States note and the United States bond rest upon the same basis. So they do, but with this difference—that the bond rests upon a promise duly performed, while the note rests upon a promise not performed. The difference is equal to eighteen per cent. of the value of the note. We wish to place the note-holder upon the same footing as the bond-holder, by making our promise to one as good as that to the other. The question we have to deal with is, are we now ready to enter upon this policy of honesty, of equality between note-holder and bond-holder; this policy of good money, national money, with paper and gold equal, the one to the other?

Now, fellow citizens, what are the objections to this policy? The first and most obvious objection is that existing debts and contracts, based upon depreciated paper money, would be advanced to the gold standard. If this were done suddenly, without notice or time for preparation, it would be wrong; but, if reasonable time be given, contracts will be adjusted to meet the change. Nearly every one is a creditor as well as a debtor, and debts due you will balance what you owe. The advance toward a specie standard will be so gradual as to be imperceptible. The fluctuations in the value of paper money have, in a single year, more than equaled the present depreciation, and yet we allow four years for the change. When the notes were first issued all contracts were payable in gold, and the creditor then suffered from a rapid depreciation of the notes; but since 1865 there has been a gradual appreciation of our currency. By a wise policy we could long since have reached a specie standard, but by reason of this very fear of debtors we have failed to take the proper measures. Ten years have passed away since the close of the war, and still we are fourteen per cent. from the specie standard, and have now been so for five years. Shall this always continue? Somebody will always be in debt. All existing debts are based upon the knowledge that we must reach a specie standard at some time. Why not now adopt this policy, and give full notice of the time and manner of resumption? Will debts diminish by postponing immeasurably the time? We know they will not. Would you attempt the impossible feat of scaling the debt, according to the value of the currency when it was contracted? This, though often proposed, has as often been rejected as impracticable. The only true policy is to give ample time and notice of resumption, so that debtor and creditor may adjust their obligations, and then steadily to pursue that policy until your United States notes shall be equal to gold; and this, as I will show you, is the policy now proposed by the Republican party.

Another objection meets us, whenever we attempt to advance the value of our currency to the gold standard. We are told that specie payments involve a great contraction of the currency, and that a contraction of the currency will make money scarce, and add to the present distress. This objection rests upon a fallacy. I deny both the premise and the conclusion. It rests upon the fallacy that we can, by law, fix the amount of currency necessary for the wants of business. From the very nature of a good currency it ebbs and flows, contracts and expands, to meet the demands of trade. If idle, it ought to be redeemed; if needed for the purchase of productions, it should be

issued to meet the demand. The only law required to regulate its amount is to provide for the issue of all that can be maintained at par in gold. If it is below par, there is too much. If it can not be readily had in exchange for productions for which there is a demand, then there is too little. Under this rule the great body of our present circulation could be maintained at par in gold, and all of the gold now lying idle, and all that is produced by mining, will be added to and mingle with the paper money in daily use. It is so in France, where an aggregate currency of paper money and gold is maintained as large as or larger than ours. It is so in England, where Bank of England notes and gold coin are both in circulation. So it was in specie-paying times in our own country, except that the paper money, being then issued by State authority, was of limited circulation. And now, under our admirable system of United States notes and national-bank notes, both can be maintained in circulation at par with gold, and form a currency as safe and perfect as human ingenuity has ever devised. All labor and productions will then be measured by an unchangeable standard, and all the money will circulate that is necessary to purchase, at the gold standard, every product of human industry.

Sometimes it is said that the recent panic was caused by a want of currency, or a contraction of the currency. This is a great error.

In September, 1873, when the panic commenced, the amount of United States notes outstanding was \$356,000,000, that of fractional currency was \$45,000,000, and of bank circulation \$339,000,000—in all, \$740,000,000, or more than it had ever been before. The panic came with this vast sum afloat, and Secretary Richardson, without authority of law, issued \$26,000,000 more of United States notes, for the laudable purpose, as he thought, of easing the money market. It nearly all went into the banks, and there remained in unbroken packages. If flooding a country with currency would prevent a panic, or stop one, here we had the trial. But it was only like pouring oil upon a fire. It is demonstrable that nearly all panics, except only such as are traceable to war, famine, or like causes, spring from expanded credits, and, in many cases, from excessive issues of paper money. Over-production is the inevitable result; improvident contracts, unprofitable enterprises, and wild speculations, always follow expanded credits, whether by corporations, banks, or individuals. Inflation! The very name implies buoyancy, expansion, lightness, destruction; and alas! the destruction often falls on those who did not breed the storm. Now that time has given us a full view of the expanded credits and improvident enterprises of 1873, we only wonder that the wreck was not more overwhelming and enduring. Surely prudent, sensible men, who will study such financial waves, must conclude that the only remedy is to reduce credits to a substantial basis. A few articles may, for a time, be slow of sale, because there is no demand for them, or because there is an over-supply. But this will soon pass away. Industry is gradually reviving, and now is the time to base our enterprises upon specie-paying money, and upon thrift, industry, and economy.

But we Republicans are often told that if gold is the standard of value, why was paper money issued at all in excess of the amount that

could be kept at par in gold? The answer is that it was issued under the overwhelming necessities of a great civil war. I remember well the circumstances connected with the first and with all the succeeding issues of United States notes, and took as effective a part as any one in providing for those issues. It was in February, 1862, after all the banks had suspended specie payments, and when our armies had made no progress, our revenues were cut off by the war, and our expenditures were more than \$1,000,000 a day, that the first issue was authorized. There were then lying on the table of Mr. Chase, Secretary of the Treasury, requisitions for over \$80,000,000, with which to pay our soldiers, and to supply them with food, ammunition, and transportation. Our bonds could not be sold, for there was no currency with which to pay for them. We had to issue the notes of the United States in the form of currency, and yet as a part of the public debt. The only question was, whether they should be made a legal tender between individuals, in the payment of debts. Upon this point I had clear convictions. I felt that if our soldiers were to be compelled to take these notes as money, we were bound, if we could, to require everybody else to take them as money. We could not leave these notes to the tender mercies of creditors, shavers, and unpatriotic men, who would gladly decry and repudiate them. We therefore made them a legal tender, and the Supreme Court has upheld our power to do so. But we took every precaution to prevent their depreciation. We made them receivable for all internal taxes; we made them a legal tender in payment of all debts; and we also made them convertible into bonds, the interest of which was payable in gold, while the duties or taxes on imported goods were made also payable in gold, so that we should have an ample fund in gold to pay the interest on the bonds. After all this, we limited their amount—beyond which we would never go—to four hundred millions. Such was the care and solicitude with which we hedged in the greenbacks; and every dollar of them was issued with the understanding and declared public policy that, after the war was over, they would be redeemed in gold. The great error of our financial policy was in repealing, instead of suspending during the war, the right of each holder, at his will, to convert his greenbacks into bonds. But for that repeal they would have been restored, soon after the war, to par in gold. The consequence of this error has been to involve us in the discredit, now, ten years after the war is over, of forcing everybody to take our notes at a depreciation of fourteen per cent., while the United States, with ample means, refuses to redeem them according to the promise printed on their face; and this now involves us in a struggle with the Democratic party, which you are this fall called upon to decide. The Republican party issued these notes as a means for the salvation of our country from a Democratic rebellion. The Democratic Representatives then in Congress declared that we had no power to issue notes; that we had no right to make them a legal tender; that, if issued, they would depreciate until they were worthless; and that they would be bought by the cord. And now they are trying to make their prophecy good. We, as Republicans, are now trying, perhaps too carefully and cautiously, to make



these promises good. We mean to do so. We will do so, not only without sacrificing any business interests, but so as to promote them. But the Democratic party of Ohio, with the insane folly that has marked its course since the beginning of the war, is bent on reducing our currency to the standard of the old Continental money, of the French assignats, of the wild-cat money of forty years ago, or of the Confederate currency ten years since, when it became utterly valueless.

Now, fellow citizens, I have gone, perhaps at too great length, into some of the more obvious arguments for a restoration of our currency to a gold standard. Let us now examine the precise position taken by the two great parties on this important question. At the first session of the late Congress, in December, 1873, after the panic had, by its resistless progress, swept great enterprises out of existence; when the demand for iron, and fabrics of iron, and, indeed, for all leading manufactures had ceased; when industry, in all its branches, was suffering from paralysis; then Congress was called upon definitely to face this financial question. All previous efforts to restore our currency to the gold standard had failed, because of irreconcilable differences of opinion, among all parties, and in all sections, as to the measure and method most suitable for this purpose. Then the Committee on Finance in the Senate reported a resolution, very general in its terms, which said that it was the duty of Congress to take definite action to restore our currency to the gold standard. This led to a debate memorable, at least, for its length, but with practically no result, and Congress adjourned without adopting any definite financial policy. This was the first time in its history that the Republican party ever failed to grapple with the issue of the hour. It went into the canvass last fall, divided in its counsels and silent, when it should have spoken. The result was our defeat, and the restoration of the Democratic party to power in the House of Representatives, with some eighty Confederate officers among them to represent the Lost Cause. When Congress met at its last session, this severe defeat had at least one good effect, in convincing its Republican members that a party charged with the administration of the Government must be able to agree upon the most pressing question of the time. The result was that, after the most careful deliberation, after the freest exchange of opinions, after mutual concessions by Republicans of differing views, Congress did pass a law which does definitely declare a public policy, and which provides ample means to restore our currency to the gold standard by the 1st day of January, 1879.

As I reported this law, advocated it, voted for it, and now heartily defend and approve it, I may still be allowed to say that it does not prescribe all the agencies and means which I would have selected to bring about the result aimed at. I do not conceal from you my firm conviction that the true policy was gradually to fund United States notes, until the residue of them were at par with gold. The bank notes, being redeemable in United States notes, would also arise to par at the same time. A declared policy of this kind, boldly pursued, would not, in my opinion, have reduced in any considerable degree the

volume of the currency, but would have added gold and silver to it, and would have inspired such confidence as at once to start again into activity many industries now languishing and depressed. But many good Republicans thought otherwise, and we therefore agreed to postpone actual resumption until January 1, 1879, except in so far as it would be indirectly promoted by the circulation of silver coins and the preparations which the Secretary of the Treasury was fully authorized to make in anticipation of resumption at the time stated. While, therefore, this law does not fully meet my views, every provision of it tends in the right direction. Leading editors, forming hasty conclusions, have declared it a sham; but they often have occasion to revise their opinions, and some of them have done so as to this law. Though remote as to time of operation, yet, if the duties enjoined by this law on the Secretary of the Treasury are performed, we shall, at the time fixed, as sure as fate, have United States notes and bank notes advanced to par with gold. The Republican convention of Ohio, in their second resolution, declare, "That a policy of finance be steadily pursued, which, without unnecessary shock to business or trade, will ultimately equalize the purchasing capacity of the coin and paper dollar." The same policy has been declared by every Republican State convention held this year; so that we may now announce, as the fixed policy of the Republican party, a steady march toward specie payments, and no step backward.

What is the position of the Democratic party on this question? When the Finance Bill was pending in December last, the objection made by the Democratic Senators was that it would not accomplish resumption soon enough. My colleague, Judge Thurman, was quite facetious about our caution and timidity. Senator Bayard made a strong speech against it, because it did not provide at once for a contraction of the currency. Every Democratic Senator and Representative voted against it; some wishing to repeal the legal-tender act, others desiring resumption in July, 1876, and all denouncing our slow progress toward specie payments. But now, "presto, change!" they are in favor of more money. Judge Thurman is muzzled—allowed to appear only before selected audiences—and my old friend Sam Cary is let loose to lead this new cry of more money. Well, more money is a pretty good cry, for we all want money; but it is not by such a party cry as this that an intelligent people will be led to approve the issue of more and more of a depreciated paper currency, in defiance of the warnings of experience, of reason, of law, and of public honor.

Before reading this new Democratic gospel, let me invite the attention of my Democratic hearers to the attitude in which that old historic party now presents itself. If there was anything which was definite in its old-time policy it was "hard money"—the "money of the Constitution"—"money that jingles." Even during the war, when the issue of paper money was vital, there was something manly in its opposition to it. But now, when the Republican party seeks to make this currency equal in value to "hard money," the Democratic party, in Convention assembled, forgetting its traditions and former teachings, demands more money, more depreciated money; no limit, no restriction, no provision for its payment, no specie standard. Can you see

anything in this but sheer demagogism; base trifling with your interests; the vain hope that in a time of temporary depression you will forget all the teachings of history, and vote them into power? Is the Democratic party of to-day the same party which, by its boldness and courage under Jackson, secured the confidence of its supporters and the respect of its adversaries? No, sir. Ever since the Republican party came into power, the Democratic party has been on this as on every other question of public policy, including every measure for the prosecution of the war, simply an opposition party, a party of negation, proposing no definite measure, and unable to agree upon any affirmative legislation. And now, on this vital question, the "World" denounces the "Enquirer," and the "Enquirer" denounces the "World," while Governor Allen is made to ride upon a platform which is in contradiction to every expressed sentiment of his life.

Now, fellow citizens, that I may do no injustice, I purpose to read to you the eighth, ninth, tenth, eleventh, and twelfth planks of the Democratic platform, which present the governing issues of this canvass, and to expose, as well as I am able, the errors of fact and of argument contained in them. The eighth resolution I will now read:

Eighth—That the contraction of the currency heretofore made by the Republican party, and the further contraction proposed by it, with a view to the forced resumption of specie payment, have already brought disaster to the business of the country, and threaten it with general bankruptcy and ruin. We demand that this policy be abandoned, and that the volume of the currency be made and kept equal to the wants of trade, leaving the restoration of legal tenders to par with gold to be brought about by promoting the industries of the people, and not by destroying them.

This resolution commences with a perversion of fact. When did the Republican party contract the currency of the country? That party devised and brought into existence our present paper currency, both of United States notes and national-bank notes. The maximum of United States notes was fixed in 1864 at four hundred millions of dollars. The only reduction or contraction of these notes was made by Secretary McCulloch, under the administration of Andrew Johnson, when the Treasury notes were gradually reduced from four hundred to three hundred and fifty-six millions. This reduction of the currency was suspended by the act of Congress of February 4, 1868. The volume of United States notes then remained until October, 1873, at three hundred and fifty-six millions, when Secretary Richardson, as before stated, issued twenty-six millions more, making a total of three hundred and eighty-two millions. During all the time, however, since March, 1865, there has been a steady increase of the fractional currency and national-bank notes; so that, instead of a contraction, there has been a steady expansion of the currency. As I stated before, there was more paper currency outstanding at the moment the panic came upon us than ever before; and, with the vain hope of stopping the panic, Mr. Richardson issued twenty-six millions more of United States notes. It is true, as Mr. Pendleton stated at Gallipolis, that, during the war, Treasury notes of various forms, compound-interest notes and time bills, all bearing interest and convertible into bonds, were issued. But these did not form any part of the currency, but were held for the

accruing interest; and they were all retired by Mr. McCulloch, and before General Grant came into power. So that all this cry about the contraction of the currency is untrue.

But the Democratic party says that a further contraction of the currency is now proposed, with a view to a forced resumption of specie payments. Well, gentlemen, the finance bill of last session provides for free banking, so that all men who want more money, and can give security for its payment, may have it. In that event United States notes are to be redeemed to the extent of eighty per cent. only of the bank notes issued, thus issuing five dollars and withdrawing four.\* Banks may also, at their pleasure, retire their circulating notes. Now, we have had within a few days an official statement from the Comptroller of the Currency, showing the actual operation of the law. Since its passage circulating notes have been issued, to new and old banks, to the amount of \$7,785,525, and \$6,228,420 of United States notes have been withdrawn, leaving an increase of the currency of over \$1,500,000. But there has been a reduction of the currency by the voluntary surrender by national banks of their circulation, to an amount greater than this increase. The reduction of United States notes depends upon the issuing of new bank currency, and this is the weakness of that law, and for which we were denounced by Democratic Senators and newspapers last winter; and now Governor Allen and Mr. Pendleton denounce us for doing what we did not do. They say that this contraction brought disaster to the business of the country. But as the disaster came in 1873, when there had been no contraction whatever, but an actual and steady expansion of all forms of paper money and credit, it is conclusive that the panic was not caused by contraction. It was the failure to contract, and the continued expansion of paper credits, which led to the wild enterprises, the forced production, and the sudden collapse, which involved the innocent with the guilty in wide destruction. Fellow citizens, there is no delusion of human nature that has been more injurious in its effects upon the happiness of mankind than has that which seeks to build prosperity upon broken promises, upon depreciated paper money, and upon the wild speculations engendered by them. How often must our race be taught that there is no sure basis for substantial wealth but industry, honesty, prudence, and economy?

But what does the Democratic party propose? "That the volume of currency be made and kept equal to the wants of trade." Who shall fix that volume? What caucus could regulate the amount? What Congress shall decree it? What shall be its standard of value? Shall it be coal lands at \$1,000 an acre, or gold at twenty-five and eight tenths grains to a dollar? Shall it be enough to float the Northern Pacific Railroad into premature birth? How, then, will you measure your daily toil? How the price of your wheat—the fruit of hard labor and solid acres? If you get your pay in gold, or in money steadily approaching the gold standard, you know what it will buy; but if its value and volume have no fixed basis, and are to fluctuate to meet somebody's notions of the wants of trade, you will be exchanging your labor, your grain, your coal and iron, for money.

"as variable as the shade  
By the light, quivering aspen made."

Now, if this resolution read, "that the volume of paper money, always redeemable in gold and silver, shall be equal to the wants of trade," it would be all right; we should then have a standard of value. But the resolution, as it stands, is the most transparent demagogism. It would be as if the merchant should regulate the length of his yardstick by the necessities of his purse; as if the coal and iron man should regulate the weight of their ton by the amount of their debts; as if the farmer were to reduce the number of pounds in a bushel of wheat so as to obtain the same number of bushels, whether the crop is good or bad. It is this palpable fallacy which dismisses from a dollar the attribute of fixed, intrinsic measure and value, into which Governor Allen has fallen at Gallipolis, and which misleads many an honest man, and has caused many of the wrecks that mark the history of human error.

But our Democratic platform-makers, recalling the old Democratic ideas about gold, tell us that they are in favor of leaving the restoration of legal tenders to par with gold to be brought about by promoting the industries of the people, and not by destroying them. How do they propose to promote your industries? Is it by protecting them, and building up your manufactories? Oh, no. They tell you plainly that, in framing their tariff laws, they will look only to the revenue they can get from you, and not to the benefit they can confer upon you. What then? Echo answers, what? What did the Democratic party do for thirty years to promote the interests of labor? Nothing but for the labor of slaves. It is to the Republican party that you owe your homestead law—the policy that has made us a nation of free men. It is to the Republican party you owe the protection of your labor, and the creation of the very currency which the Democratic party seeks to destroy. What party now threatens a reaction against all the measures of the war? What party has formed a coalition against your common-school system, and only awaits a favorable time to carry it out? But they tell you that they will restore your legal tenders to par in gold. When? If not now, why not three years hence?

Why not, my fellow citizens, support the Republican policy? It needs no argument to convince you that the men who framed the Democratic platform have no intention to restore the gold standard except through repudiation. That is their process. The "wants of trade," as construed by them, will lead, step by step, into inflation, general bankruptcy, and repudiation. Judge Thurman was right when he said in the Senate, in 1874, that if this policy were adopted he should not live to see again in circulation good old Democratic money—gold and silver. The war for American Independence, and its grim necessities, drove our Revolutionary fathers into this policy; and so with France in the throes of her revolutionary struggles: and in both cases the currency was repudiated as worthless. Now, after our war is happily over, and all its hard sacrifices have been crowned with success, and when we are on the plain road to a specie standard, we are asked, in the name of the "demands of trade," to adopt the same policy, to

issue more money without any plan of redemption, on the promise of the Democratic party that, at some time, it may be, they will restore it to par in gold, "by promoting the industries of the people." For one, fellow citizens, I shall want a more specific guarantee, as well as a better guarantor than the Democratic party. We, the Republicans, who are responsible to our country and to mankind for the redemption of the promises contained in these greenback notes, must see to their redemption, and not turn over to our adversaries this last remaining duty of our great conflict. France, our old Revolutionary friend, has recently set us a noble example, by resuming specie payments, after her unsuccessful war with Germany, and after suffering greater sacrifices than we did; and it is admitted that her industries are now more prosperous than ever before in her long history. These shadowy fears, which, in the minds of business men, sometimes cloud the pathway of duty, will disappear by a steady adherence to the Republican policy.

The next resolution of the Democratic platform to which I wish to call your attention is the ninth :

Ninth—That the policy already initiated by the Republican party, of abolishing legal tenders and giving national banks the power to furnish all the currency, will increase the power of an already dangerous monopoly, and the enormous burdens now oppressing the people, without any compensating advantage; and that we oppose to this policy the demand that all the national-bank circulation be promptly and permanently retired, and legal tenders be issued in their place.

The substance of this resolution is that the national banks shall be promptly destroyed, and that the greenback circulation shall be at the same time increased to \$710,000,000. Before examining this startling proposition, let us dispose of some of the errors of fact contained in the resolution. It is not true that the Republican party proposes to abolish the legal tenders, or to give to the national banks the entire circulation of the country. This is a question of the future, upon which parties have not yet taken their position, and concerning which, no doubt, differences of opinion will arise. The Republican party has taken the position that, by the 1st of January, 1879, both legal tenders and national-bank notes shall be redeemable in gold, when demanded. To this extent, and no further, have they taken a position. For one, I am free to say that, while our public debt exists, I am for maintaining in circulation the United States notes to the full amount at which they can be maintained at par in gold, and no more; and I am convinced that such notes, payable on demand in coin, or, at the option of the Government, in a fixed bond, which, in the money market, is usually at par in gold, would keep in circulation all or nearly all of the present volume of United States notes.

But, should it not, there is no reason in the world why the Government ought not to pay interest on a debt which it is not prepared to pay in coin; and, with such notes, it is immaterial whether they are or are not a legal tender. To guard against the sudden effects of a panic, I would leave them a legal tender; but these are my individual views only, often expressed and sincerely entertained. Upon this question, however, the Republican party has taken no position, nor ought it to do so until after resumption.

As to the national banks, they are entirely in the power of Congress. We can repeal the law of their creation, but would it be wise to do so? They are denounced as a monopoly, but this is now untrue. For a time, after the limit fixed by law for national-bank circulation was reached, they were in one sense a monopoly; but since the act of last winter banking is as free as blacksmithing, or iron-making, or merchandising, and freer than the making of lawyers, or of doctors, or preachers. Any set of five or more men may start a bank in any part of the United States, on the terms, conditions, and responsibilities fixed by the banking law. Over 2,000 banks have been authorized, and are scattered all over the United States. They have loaned of their own money, or of that deposited with them, \$950,000,000, and this constitutes a large part of the active capital upon which the manufacturing, commercial, and mining industries of the country rests. They are the principal agents for the deposit and exchange of money, not only in the United States, but with foreign nations. Their business reaches among and interlaces with that of every citizen of the United States. They are private corporations; the Government has nothing to do with them except to make them pay taxes and obey the laws. These laws are very strict, requiring from them reports under oath, and subjecting them to frequent examinations at unexpected times, and maintaining over them the strictest surveillance. The only privilege these banks enjoy which the humblest citizen does not is, that, by giving ample security in United States bonds, they may issue a certain proportion of circulating notes. They pay the expenses of printing these notes; redeem them promptly on demand with lawful money of the United States; keep money in the Treasury of the United States for that purpose; while their notes are not a legal tender, and nobody is bound to take them. When this is all done, we require them to keep on hand a large reserve in cash; we tax them all; the States tax them, and the counties and towns do the same, so that their aggregate taxes are now \$20,000,000.

These are the national banks. They were organized by the Republican party to take the place of the State banks—a mongrel crew, under no common authority, obeying no law, giving, in some States, no security, and issuing bills easily counterfeited and of limited circulation. Under the national-bank law there can be no successful counterfeiting; the notes are secured beyond the possibility of loss, for the bank may break, but the note is good; and they pass without question anywhere in the United States. The banks are organized for twenty years; yet the law can be repealed. But business, in some branches, is languid. Debts are hard to pay and hard to collect. Everybody is trying to save a little in expenses, and to make a little more crop. And now a set of men, self-appointed, calling themselves a Democratic Convention—a State Convention, remember, not a National Convention—meets at Columbus, and resolves that all this system of national banks, interwoven with the business of the whole people of the United States, shall be promptly torn up; that this vast indebtedness of the people to the banks shall be immediately paid; and that all the bonds of the United States now held by these banks shall be forced upon the mar-

ket; and that the United States shall then issue its legal-tender notes to the additional amount of three hundred and fifty millions. Such is the financial programme of the Ohio Democrats, to give relief to the business interests of the country. Is there any business man who hears me who does not know that such a measure, if adopted, would utterly destroy the country's industries?

Let us examine this proposition a little further. The first difficulty to be encountered is, that the issue of the greenbacks in excess of four hundred millions would be a plain and palpable violation of the public faith. In 1864 the United States solemnly engaged that the volume of legal-tender notes should never exceed the sum of four hundred millions; and this pledge has been several times repeated, and is the sacred barrier which has alone maintained the purchasing power of the greenbacks at the present rate.

Again, the validity of the legal-tender act was sustained by the Supreme Court on the sole ground that it was the exercise of the war-making powers of Congress, held to be essential to the national existence; and yet, even on this ground, it was sustained but by a bare majority only of that court. Who believes, for a moment, that the validity of legal-tender notes would be sustained by that court if issued in a time of profound peace, in violation of the public faith, and as a part of a policy designed to maintain in perpetuity an irredeemable currency?

Again, for what purpose could the United States issue these notes? Would it be to purchase the bonds of the Government now held as security for bank notes? Those bonds are the property of the banks, and could only be purchased, like other bonds, in the open market, at a large premium. This premium would rapidly advance as the irredeemable notes were issued. How long would this process continue before these platform-makers would assert the right to pay the bonds in greenbacks, and thus again violate the public faith, pledged, by the act of March, 1869, to strengthen the public credit? Or, would they loan the greenbacks to the people, as the bank notes are now loaned, and thus convert the Government into a bank, not only of loan, but of discount? It is idle to follow further the evil consequences and dangerous effects of the Democratic policy announced in these resolutions. Their end would be utter bankruptcy and ruin.

But what good do they hope to accomplish? They will answer that they desire to save the interest on the notes now issued by the banks. They want the Government to have the profit of issuing notes for circulation. In gaining this they would violate the public faith; they would lose all the taxes now received from the national banks; and would utterly destroy all ideas of fixed values. The profit derived from this circulation has been over-estimated—so much so that now more circulation is being retired by banks than is issued to them. The privilege is now open to all, and yet it is not generally taken. If the Government were to assume the sole and exclusive privilege of issuing these notes, it could not engage in the business transactions by which alone that privilege can be made profitable, and the business public would lose the benefit of discounts and loans.



But the real motive lies back of all this. These men want more money, more money; not real money, but depreciated paper money—cheap money, becoming cheaper and cheaper as more is issued, making it easier to pay debts. But will a dollar of this money buy what a dollar of gold, or even a dollar of paper money, will now buy? We know it will not. It will depreciate, even in greater proportion, as its volume increases. Your grain, your iron and coal, may bring you more money than you now receive, but the money received will buy less than now, and you will be constantly cheated by a false weight and a false standard. How strange it is that human experience, so often repeated, does not stamp upon the mind of every human being the truth proclaimed by Webster, acted upon by Jefferson and Jackson, and which lies at the foundation of the laws of currency: that, of all the contrivances for cheating the laboring classes of mankind, none has been more effectual than that which deludes them with depreciated paper money! Ordinary tyranny, oppression, excessive taxation—these bear lightly on the happiness of the mass of the community, when compared with a fraudulent currency, and the robberies committed thereby.

Now, fellow citizens, to return once more to the national banks, which the Ohio Democrats propose at once to destroy. I need not remind you that, next to Mr. Chase, then Secretary of the Treasury, I had as much to do with the passage of the national bank act as any one; and yet I regarded it as an experiment, and chiefly supported it as a means of driving out of existence the heterogeneous multitude of State banks that, during the war, threatened to overwhelm us with paper money of limited circulation and no security. The national banking system has proved, on the whole, to be a great success. Mr. McCulloch, in his report as Secretary of the Treasury in 1867, carefully reviewed the whole system; and I refer my Democratic friends to that report for some wholesome reading. Since he wrote, the banking system has been improved by making it free, and by providing for the prompt redemption by each bank of its notes, at the Treasury of the United States. The national banks have yet to bear the test of coin redemption. When the United States notes shall have advanced to par in gold, the banks must redeem their notes at par in gold. If, then, experience shall show that this system will furnish to the people, through local banks, circulating notes which shall be freely convertible into gold, then the Republican party will stand by it. If not, that party will modify or dispense with it. And, in dealing with this question, I trust that the Republican party will do as it has done with other great problems of human government which it has successfully solved, acting with moderation and wise statesmanship, and relying upon the intelligence of an educated people, rather than upon that spirit of blind demagogism which has plainly led to the adoption of this ninth resolution.

There is one other financial plank in the Democratic platform that is easily disposed of. I will read it:

Tenth—That the public interest demands that the Government should cease to discredit its own currency, and should make its legal tenders receivable for all

public dues, except where respect for the obligation of contracts requires payment in coin, and that we favor the payment of at least one half of the customs in legal tenders.

This resolution, apparently plausible, not only involves grave errors of fact, but is ridiculous in its logic. It says that the Government should cease to discredit its own currency, and yet the Democratic party does not propose to pay it. I suppose that the utmost discredit that can be put on any currency or any promise to pay is to refuse to redeem it. The same platform which thus reproaches us for discrediting our currency proposes to issue three hundred and fifty millions more of it, when every note is a broken promise, and every additional issue will cause a further depreciation. But consistency can scarcely be expected in a Democratic platform. The adoption of this proposition would reduce our duties on imported goods to an extent equal to one half of the discount of our paper money, when compared with gold, or at this time about seven per cent. Now, as a revenue measure this is certainly a bad one, when our present income is barely sufficient to meet our expenditures. But a still graver objection to this resolution exists. By the law as it now stands, passed in February, 1862, and upon which every bond of the United States now outstanding was issued—the very foundation of our public credit—it was provided:

SECTION 5. That all duties on imported goods shall be paid in coin, . . . and the coin so paid shall be set apart as a special fund, and shall be applied as follows:

1. To the payment in coin of the interest on the bonds and notes of the United States.

2. To the purchase and payment of one per centum of the entire debt of the United States, to be made within each fiscal year after 1862, which is to be set apart as a sinking fund, and the interest of which shall in like manner go to the purchase or payment of the public debt.

3. The residue thereof to be paid into the Treasury of the United States.

Now, fellow citizens, under this law the United States has acted, and is compelled to act until the public debt shall be paid. Under it all duties on imported goods are paid in gold, and these duties now yield us a revenue of about \$160,000,000 in gold. This money is mortgaged to the public creditors, and we dare not violate that pledge at the cost of national dishonor. Of this money, something over \$100,000,000 a year is required to pay the interest on your public debt. Over \$30,000,000 is required for what is called the sinking fund, for the gradual redemption of the debt. We have other expenditures which must be paid in gold—such as our foreign intercourse, and our navy, when abroad. This will leave, perhaps, \$25,000,000 to \$30,000,000 of gold, which is paid into the Treasury, and is sold for United States notes, and the proceeds used for current expenditures. Now, this resolution demands that this gold, thus sacredly pledged, shall be diverted, in violation of your public faith. And for what? To reduce the duties or taxes on foreign goods seven per cent. ! No language is strong enough to denounce such a policy. A small portion of this fund, about twenty-five millions, may be used for any proper purpose of expenditure; and therefore Judge Thurman, last winter, proposed to receive one fifth of the customs duties in currency. But even this was opposed, on the ground that it would impair the trust fund, and as against public policy.

Senator Bayard, of Delaware, a leading Democrat, took strong ground against it, and it was overwhelmingly defeated. Now the Ohio Democrats propose to surrender one half of our gold revenue, to dishonor our pledges, and to drive the Secretary of the Treasury into the market to buy gold with which to pay the interest; and all to lower the duties that yield our revenues and protect our industries.

The eleventh resolution in this platform is only important in that it promises you, in place of your national banks, a system of free banks of discount and deposit; in other words, broker-shops. No doubt these are a great blessing, but I think we have now enough of them. At all events, we have now in every State the right to go into the brokerage business, free from all restraints; and we need not place the Democratic party in power for the purpose of gaining this great blessing.

The only other financial plank in this platform is very brief:

Twelfth—A tariff for the sole purpose of revenue.

This resolution is a blow at that system of tariff laws which had its origin in Washington's administration, and has been continued ever since, varied in details, but retained in principle, and strengthened and improved by the Republican party; and which, while looking to imported goods as the chief source of Federal revenue, also regards the fostering and protection of domestic industry as a national object, incident to all revenue laws, and deserving of the most considerate and favorable care. If that be the meaning of the resolution, we accept the issue promptly. We do seek, while levying taxes, not only to make their operation as light and just as possible, but also to advance our own industry without impairing the sources of revenue. In this sense we are for the protection of American industry, and proudly point to the vast development of our home manufactures as the result of Republican policy. I do not think it necessary, before you, to enter into the common arguments that have been made upon this subject, for I know you are familiar with them. I have always regarded a tariff law as a subject, not of political dispute, but for the application of good, common sense in the adjustment of the details—applying the higher duties to articles of luxury, fair average duties on articles that come into competition with our own industries, and low duties, or none at all, on those of common necessity, which either can not be economically produced here, or enter as raw articles into our domestic manufactures. In passing such a tariff, we do look to something else than the mere money we wring from our people as taxes.

Take this whole financial platform of the Democratic party, and it opens up to you the most dangerous errors, the wildest demagogism, the greatest departure not only from fundamental principles of public policy, but from cherished principles of the Democratic party. We already hear the voice of remonstrance, the cry of alarm from all parts of the United States. The question is, What will they do with it?

Governor Allen, much to the surprise of some of his friends, readily yields his old convictions, and, if I understand his speeches at Newark and Gallipolis, adopts the whole platform. Many of the Democratic papers, however, openly repudiate it. The Democratic

editor in the city in which I live, and who is in every respect a very excellent man, rejects the platform and supports Governor Allen in his hard-money records of forty years ago. But, fellow citizens, political contests are not decided by candidates, editors, or office-holders; it is by the quiet, intelligent judgment of moderate men, who sensibly weigh questions of public policy, and who are above party dictation. It is this body of independent men who give the ebb and flow to party politics in Ohio; it is to them I appeal with confidence, to give their seal of condemnation to the dangerous doctrines contained in the Democratic platform.

To my Republican associates I can speak with confidence and hope. We have a State ticket every name on which must command your sincere respect. We have a platform that speaks no uncertain sound, and meets our approbation. We are united on the wise and moderate financial policy which has hitherto guided our party and sustained the public faith and the public credit, which has given us ample means to carry on a great war and build up our industries, and which has now for the first time provided for us a safe national currency, needing only one attribute to make it perfect, while now we are agreed on a slow and steady progress to make that currency equal to gold. What more do we want, my Republican friends, than to march forward with unity, confidence, and strength? You may here and there find men who falter or discover faults to criticise; your officers and agents may fail; but your cause is good and your work is honorable—not free from faults, but better than that of any party that preceded it.

See, now, this broad country of ours. United we stand. Many of our ancient enemies now glory in our success. The prayers of four millions of freedmen rise perpetually to Almighty God for the Republican party. Great names adorn our history, written there by us. Memorable events for fifteen years have lifted our country from a confederacy of discordant States—left by a Democratic administration to the chances of civil war—to the position of a nation of the highest rank, destined to mold a continent and to guide a world to free institutions. Let us not apologize to our adversaries for the faults that are human, nor examine with a microscope the failings of friends. If only the great objects we have sought, the good measures we have accomplished, and the policy marked out for us are, on the whole, wiser and better than are proposed by our adversaries, then our path of duty is with the Republican party. Inspire it, if you please, with better principles, with higher aims, and by a good example; but rest assured that you must rely upon that party for any progress that is made in framing or executing good laws. And, fellow citizens, you who have at any time acted with the Republican party, during the war or since the war, and from whatever cause have been dissatisfied with the party to which you belonged, let us come together again. We have forgiven the rebels; let us forgive each other. I am liberal enough to confess that the Republican party has committed some errors. And I am Republican enough to know that its history, its principles, its policy, and its tendencies give us the best assurance for an honest and able administration of the National and State Governments.

## NATIONAL FINANCES—SPECIE PAYMENTS.

*IN THE SENATE, MARCH 6, 1876.*

ON the motion to refer the resolutions of the Chamber of Commerce of the State of New York, relative to the national finances, and in favor of the resumption of specie payments, at the time now provided by law, Mr. Sherman said :

MR. PRESIDENT: I have taken the unusual course of arresting the reference to the Committee on Finance of the memorial of the Chamber of Commerce of New York in order to discuss in an impersonal and non-partisan way one of the questions presented by that memorial, and one which now fills the public mind and must necessarily soon occupy our attention. That question is, "Ought the resumption act of 1875 to be repealed?" The memorial strongly opposes such repeal, while other memorials, and notably those from the Boards of Trade of New York and Toledo, advocate it. These opposing views are supported in each House of Congress, and will, when our time is more occupied than now, demand our vote.

And, sir, we are forced to consider this question when the law it is proposed to repeal is only commencing to operate, now, three years before it can have full effect—during all of which time its operation will be under your eye and within your power—and while the passions of men are heated by a presidential combat, when a grave question, affecting the interests of every citizen of the United States, will be influenced by motives entirely foreign to the merits of the proposition.

And the question presented is not as to the best means of securing the resumption of a specie standard, but solely whether the only measure that promises that result shall be repealed. We know there is a wide and honest diversity of opinion as to the agency and means to secure a specie standard. When any practicable scheme to that end is proposed I am ready to examine it on its merits; but we are not considering the best mode of doing the thing, but whether instead we will recede from the promise made by the law as it stands, as well as refuse all means to execute that promise. If the law is deficient in any respect it is open to amendment. If the powers vested in the Secretary are not sufficient, or you wish to limit or enlarge them, he is your servant, and you have but to speak and he obeys. It is not whether we will accumulate gold or greenbacks or convert our notes into bonds, nor whether the time to resume is too early or too late. All these are subjects of legislation. But the question now is whether we will or will not repudiate the legislative declaration, made in the act of 1875, to redeem the promise made and printed on the face of every United States note, a promise made in the midst of war, when our nation was struggling for existence, a promise renewed in March, 1869, in the most unequivocal language, and finally, by the act of 1875, made specific as to time.

And let us not deceive ourselves by supposing that those who oppose this repeal are in favor of a purely metallic currency, to the exclusion of paper currency, for all intelligent men agree that every great com-

mercial nation must have both: the one as the standard of value by which all things are measured, which daily measures your bonds and notes as it measures wheat, cotton, and land; and the other as a paper or credit currency, which, from its convenience of handling or transfer, must be the medium of exchanges in the great body of the business of life. Statistics show that in commercial countries a large proportion of all transfers is by book accounts and notes, and more than nine tenths of all the residue of payments is by checks, drafts, and such paper tools of exchange. Of the vast business done in New York and London, not five per cent. is done with either paper money, or gold or silver, but by the mere balancing of accounts, or exchange of credits. And this will be so whether your paper money is worth forty per cent. or one hundred per cent. in gold. The only question is, whether in using paper money we will or will not have that which is as good as it promises—as good as that of Great Britain, France, or Germany, as good as coin issued from your mints—or whether we will or will not content ourselves with depreciated paper money, worth ten per cent. less than it promises, every dollar of which daily tells your constituents that the United States is not rich enough to pay more than ninety per cent. on the dollar for its three hundred and seventy millions of promises to pay, or that you have not courage enough to stand by your promise to make the payment.

Nor are we to decide whether our paper money shall be issued directly by the Government or by banks created by the Government; nor whether at a future time the legal-tender quality of United States notes shall continue. I am one of those who believe that a United States note issued directly by the Government and convertible on demand into gold coin, or a Government bond equal in value to gold, is the best currency we can adopt; that it is to be the currency of the future, not only in the United States, but in Great Britain as well; and that such a currency might properly continue to be a legal tender except where there is a specific stipulation for coin.

But these are not the questions we are to deal with. It is whether the promise of the law, that the United States shall pay such of its notes as are presented on and after the 1st day of January, 1879, in coin, shall or shall not be fulfilled; and whether the national banks will or will not, at the same time, redeem their notes either in coin or in United States notes made equal to coin; or whether the United States shall or shall not revoke its promise and continue for an indefinite period to force upon the people a depreciated currency, always below the legal standard of gold, and fluctuating daily in its depreciation as Congress may threaten or promise, or speculators may hoard, or corner, or throw out your broken promises. It is the turning-point in our financial history, which will seriously affect the life of individuals and the fate of parties, but, more than all, the honor and good faith of our country.

At the beginning of our national existence, our ancestors boldly and hopefully assumed the burden of a great national debt, formed of the debts of the old confederation and of the States that composed it; and, with a scattered population and feeble resources, they honestly met and

paid, in good solid coin, every obligation. After the war of 1812, which exhausted our resources, destroyed our commerce, and greatly increased our obligations, a Republican administration boldly funded our debt, placed its currency upon the coin basis, promptly paid its interest, and reduced the principal; and within twenty years after that war was over, under the first Democratic President, it paid the debt in coin, both principal and interest, to the last dollar. And now, eleven years after a greater war, of grander proportions, in which not merely foreign domination threatened us, but the very existence of our nation was at stake, and after our cause has been blessed with unexampled success, with a country teeming with wealth, with our credit equal to that of any nation, we are debating whether we will or will not redeem our promises according to their legal tenor and effect, or, instead, to attempt their repeal and cancellation.

I invoke in the consideration of this question the example of those who won our independence and preserved it to us, that it may inspire us to so decide this question that those who come after us may point to our example of standing by the public faith now solemnly pledged, even though to do so may not run current with the temporary pressure of the hour or may entail on us some sacrifice and hardship.

What then is the law it is proposed to repeal? I will state its provisions fully in detail; but the main proposition—the essential core of the whole—is the promise to which the public faith is pledged, that the United States will, on and after the 1st day of January, 1879, redeem in gold coin any of its notes that may be presented to the Treasury. This is the vital object of the law. It does not undertake to settle the nature of our paper money after that, whether it shall or shall not be reissued again, whether it shall or shall not thereafter be a legal tender, nor whether it shall or shall not supersede bank notes. All this is purposely left to the future. But it does say that, on and after that day, the United States note promising to pay one dollar shall be equal to the gold dollar of the Mint.

The questions then arise:

1. Ought this promise to be performed?
2. Can we perform it?
3. Are the agencies and measures prescribed in the law sufficient for the purpose?
4. If not, what additional measures should be provided?

Let us consider these questions in their order with all serious deliberation that their conceded importance demands.

And first, ought this promise to be fulfilled?

To answer this we must fully understand the legal and moral obligations contained in the notes of the United States. The purport of the note is as follows:

The United States promises to pay the bearer one dollar.

This note is a promise to pay one dollar. The legal effect of this note has been announced by the unanimous opinion of the Supreme Court of the United States, the highest and final judicial authority in our Government.

The legal-tender attribute, given to the note, has been the subject of conflicting decisions in that court, but the nature and purport of it is not only plain on its face, but is concurred in by every judge of that court and by every judicial tribunal before which that question has been presented.

In the case of *Bank vs. Supervisors*, 7 Wallace, 31, Chief Justice Chase says :

But, on the other hand, it is equally clear that these notes are obligations of the United States. Their name imports obligation. Every one of them expresses upon its face an engagement of the nation to pay to the bearer a certain sum. The dollar note is an engagement to pay a dollar, and the dollar intended is the *coined* dollar of the United States, a certain quantity in weight and fineness of gold or silver, authenticated as such by the stamp of the Government. No other dollars had before been recognized by the legislation of the National Government as lawful money.

Again, in the case of *Bronson vs. Rhodes*, 7 Wallace, 251, Chief Justice Chase says :

The note dollar was the promise to pay a coined dollar.

In the legal-tender cases, 12 Wallace, 560, Justice Bradley says :

It is not an attempt to *coin* money out of a valueless material, like the coinage of leather, or ivory, or cowry shells. *It is a pledge of the national credit.* It is a *promise* by the Government to *pay dollars*; it is not an attempt to *make* dollars. The standard of value is not changed. The Government simply demands that its credit shall be accepted and received by public and private creditors during the pending exigency. . . .

No one supposes that these Government certificates are never to be paid; that the day of specie payments is never to return. And it matters not in what form they are issued. . . . Through whatever changes they pass, their ultimate destiny is *to be paid*.

In all these legal-tender cases, there is not a word in conflict with these opinions.

Thus, then, it is settled that this note is not a dollar, but a debt due; a promise to pay a dollar in gold coin. Congress may define the weight and fineness of a dollar, and it has done so by providing a gold coin weighing  $25\frac{3}{10}$  grains of standard gold  $\frac{9}{10}$  fine. The promise is specific and exact, and its nature is fixed by the law and announced by the court. Here I might rest, as to the nature of the United States note; but it is proper that I state the law under which it was issued and the subsequent laws relating to it.

The act of February 25, 1862, gave birth to this note as well as to the whole financial policy of the war. The first section of that act authorizes the Secretary of the Treasury to issue, upon the credit of the nation, United States notes to the amount of \$150,000,000, payable to bearer at the Treasury of the United States. The amount of these notes was subsequently increased during the war to the maximum sum of \$450,000,000, but the nature and character of the notes was the same as of the first issue. The enlargement of the issue did not in the least affect the obligation of the United States to pay them in coin. This obligation was recognized in every loan law passed during the war; and to secure the note from depreciation the amount was carefully limited, and every quality was added to maintain its value, that was possible during the exigencies of the war. I might show you, from the



contemporaneous debates in Congress, that at every step of the war the notes were regarded as a temporary loan, in the nature of a forced loan, but a loan cheerfully borne, but to be redeemed soon after the war was over. It was not until two years after the war, when the advancing value of the note created an interest to depreciate it to advance prices for speculative purposes, that there was any suggestion of putting off the payment of the note. The policy of a gradual contraction of the currency with a view to specie payments was, in December, 1865, concurred in by the almost unanimous vote of the House of Representatives, and the act of April 12, 1866, authorized the retiring and cancellation each month of \$4,000,000 in notes. No one then questioned the policy, the duty, or the obligation of the United States to redeem these notes in coin.

Why has not this duty been performed? How comes it that, fourteen years after these notes have been issued, and eleven years after the exigency is over, we are debating whether they shall or shall not be paid, and when they shall be paid? We may well pause to examine how this plain and positive obligation has so long been deferred by a nation always sensitive to the public honor.

The fatal commencement of this long delay was in this provision of the act approved March 3, 1863, as follows:

• And the holders of United States notes issued under and by virtue of said acts shall present the same for the purpose of exchanging the same for bonds as therein provided on or before the 1st day of July, 1863, and thereafter the right so to exchange the same shall cease and determine.

Thus, under the pressure of war, and the plausible pretext of a statute of limitations, the most essential legal attribute of the note was taken away. This act, though convenient in its temporary results, was a most fatal step, and for my part, in acquiescing in and voting for it, I have felt more regret than for any other act of my official life. But it must be remembered that the object of this provision was not to prevent the conversion of notes into bonds, but to induce their conversion. It was the policy and need of the Government to induce its citizens to exchange the notes freely for the bonds, so that the notes might again be paid out to meet the pressing demands of the war. It was believed that if this right to convert them was limited, in time this would cause them to be more freely funded; and Mr. Chase, then Secretary of the Treasury, anxious to prevent a too large increase of the interest on the public debt, desired to place in market a five per cent. bond instead of a six per cent. bond. The fatal error was in not changing the right to convert the note into a five per cent. bond instead of a six per cent. bond. This was, in fact, proposed in the Committee on Finance; but it was said that a right to convert a note into a bond at any time was not so likely to be exercised as it would be if it could only be exercised at the pleasure of the Government. And this plausible theory to induce the conversion of notes into bonds was made the basis, after the war was over, for the refusal of the United States to allow the conversion of its notes into bonds, and has been the fruitful cause of the continued depreciation and dishonor of United States notes during the last five years, while our five per cent. bonds have been at par with gold,

and while our notes rise and fall in the gamut of depreciation from six to twenty-two per cent. below gold.

Although the right to convert notes into bonds was taken away, yet in fact they were during the war received, par for par, for bonds; and after the war was over all the interest-bearing securities were converted into bonds; but the notes—the money of the people—the artificial measure of value, the most sacred obligation, because it was past due, was refused either payment or conversion, thus cutting it off from the full benefit of the advancing credit of the Government, and leaving to it only the forced quality of legal tender in payment of debts.

Shortly after the war was over, and notably during the presidential campaign of 1868, the question arose as to whether the bonds of the United States were or were not payable in coin or United States notes. Both notes and bonds were then below par in coin, the notes ranging from sixty-seven to seventy-five cents in coin; and five per cent. bonds from seventy-two to eighty cents in coin. Here again the opportunity was lost to secure the easy and natural appreciation of our notes to the gold standard. Had Congress then authorized the conversion of notes into bonds when both were depreciated, both would have advanced to par in gold; but on the one hand it was urged that this would cause a rapid contraction, and on the other that the right to convert a note into a bond was not specie payment, but only the exchange of one promise for another. It was specie payment they decidedly favored, but that they did not have the wisdom then to secure. If the advocates for specie payment had then supported a restoration of the right to convert notes into bonds, they would have secured their object with but little opposition. But all measures to fund the notes at the pleasure of the holder were defeated, and instead there was ingrafted into the act to strengthen the public credit—

First, a declaration “that the faith of the United States is solemnly pledged to the payment in coin, or its equivalent, of all the obligations of the United States not bearing interest, known as United States notes, and of all the interest-bearing obligations of the United States” except such as by the law could be paid in other currency than gold and silver.

Second, “and the United States also solemnly pledges its faith to make provision, at the earliest practicable period, for the redemption of the United States notes in coin.”

Here again the obligation of the Government to pay these notes in coin was recognized, its purpose declared, and the time fixed, “as early as practicable.” What was the effect of this important act of Congress? Without adding one dollar to the public debt, or the burden of the debt, both bonds and notes rose in value. Within one year the bonds rose to par in gold, making it practicable to commence the refunding of six per cent. bonds into five per cent. bonds. The notes rose under the stimulus of this new promise in one year from seventy-six cents to eighty-nine cents in gold, but no steps whatever were taken for their redemption.

The amount of bank notes authorized was increased fifty-four millions. The executive department pursued the policy of redeeming

debts not due, and, from an overflowing Treasury, reduced very largely the public debt; but no steps whatever were taken to advance the value of our notes. The effect of the act of 1869 was exhausted on the adjournment of Congress in March, 1870, when the United States notes were worth eighty-nine cents in gold; and thereabouts, up and down, with many fluctuations, they have remained to this day. The bond-holder, secure in the promise to him, is happy in receiving his interest in gold, with his bond above par in gold. The note-holder, the farmer, the artisan, the laborer, whose labor and production are measured in greenbacks, still receives our depreciated notes worth ten per cent. less than the gold promised him "at the earliest day practicable." The one has a promise performed; the other a promise postponed.

Thus we stood when the panic of '73 came upon us; we had then more paper money afloat than ever before circulated in any country of the world. Even then, had we stood firmly, the hoarding tendency of the panic would have advanced our notes toward the gold standard; and in fact it did so during the months of September and October, and until the premium on gold had fallen to eight per cent. But, sir, at this critical moment, the Secretary of the Treasury, acting no doubt in good faith, but I think without authority of law, issued twenty-six millions more United States notes—part of the notes retired and canceled under previous acts. And now, notwithstanding all the talk about contraction of the currency, we have not withdrawn one half of this illegal issue. On the 1st of September, 1873, we had three hundred and fifty-six million notes outstanding. Three months afterward we had three hundred and eighty-two million; and now we have three hundred and seventy-one million.

Sir, it was under the light of these events, after the fullest discussion ever given in Congress to any question—after debate before the people during the recess of Congress, and full deliberation last winter—that this act was passed. There was and is now great difference of opinion as to the details; but the vital promise made the note-holder, to make his note as good as gold in January, 1879, was concurred in by a large majority of both Houses, many of whom opposed the bill as too slow in its operations. This act of honor and public faith was applauded by the civilized world, and concurred in by our constituents; the only doubts being as to the machinery for carrying it into effect. The time for the act to go into operation was fixed by those who most feared resumption; but no one proposed a remoter date. My honorable friend from Indiana [Mr. Morton] truly said (in the recent campaign in Ohio) that he participated in framing it; and he and those who agreed with him fixed a time so remote as to excite the unfounded charge that the bill was a sham, a mere contrivance to bridge an election.

And now, sir, to recapitulate this branch of the question: It is shown that the holder of these notes has a promise of the United States, made in February, 1862, to pay him one dollar in gold coin; that the legal purport of this promise has been declared by the Supreme Court; that we have taken away from this note one of the legal

attributes given it, which would long since have secured its payment in coin; that when the note was authorized and issued it was understood as redeemable in coin when the war was over; that our promise to pay it was renewed in 1869—"at as early a day as practicable"; that by reason of our failure to provide for its payment it is still depreciated below par more than one tenth of its nominal value; that we renewed this promise and made it definite as to time by the act of 1875; and that it is a debt due from the United States, and due now in coin, in law and honor. Yet it is proposed to recall our promise to redeem this note in coin three years hence. I say, sir, this would be national dishonor. It would destroy the confidence with which the public creditor rests upon the promises contained in your bonds. It would tend to arrest the process by which the interest on your bonds is reduced. It would accustom our people to the substitution of a temporary wave of popular opinion for its written contract or promise. It would weaken in the public mind that keen sense of honor and pride which has always distinguished the English-speaking nations in dealing with public obligations.

An old writer thus describes "public credit":

Credit is a consequence, not a cause; the effect of a substance, not a substance; it is the sunshine, not the sun; the quickening *something*, call it what you will, that gives life to trade, gives being to the branches and moisture to the root; it is the oil of the wheels, the marrow in the bones, the blood in the veins, and the spirits in the heart of all the *negoce*, trade, cash, and commerce in the world.

It is produced, and grows insensibly, from fair and upright dealing, punctual compliance, honorable performance of contracts and covenants; in short, it is the offspring of universal probity.

It is apparent even by its nature; it is no way dependent upon persons, parliament, or any particular men or set of men as such in the world, but upon their conduct and just behavior. Credit never was chained to men's names, but to their actions; not to families, clans, or collections of men; no, not to nations. It is the honor, the justice, the fair dealing, and the equal conduct of men, bodies of men, nations, and people, that raise the thing called credit among them. Wheresoever this is found credit will live and thrive, grow and increase; where this is wanting, let all the power and wit of man join together, they can neither give her being nor preserve her life.

Arts have been tried on various occasions in the world to raise credit; art has been found able with more ease to destroy credit than to raise it. The force of art, assisted by the punctual, fair, and just dealing abovesaid, may have done much to form a credit upon the face of things, but we find still the honor would have done it without the art, but never the art without the honor. Nor will money itself, which, Solomon says, answers all things, purchase this thing called credit or restore it when lost. . . .

Our credit in this case is a public thing. It is rightly called by some of our writers *national credit*. The word denominates its original. It is produced by the nation's probity, the honor and exact performing national engagements.

And, sir, passing from considerations of public honor, which forbid the repeal of the act of 1875, let us now consider also the reasons of *public policy* by which it is prohibited. That act was regarded as the settlement of a financial policy, by which at least the party in power is bound and upon the faith of which business men have conducted their affairs and made their contracts. Debts have been contracted and paid with the expectation that at the time fixed the gold standard would measure all obligations, and a repeal of the act would

now reopen all the wild and dangerous schemes of speculation that feed and fatten upon depreciated paper money. The influence that secures this repeal will not stop here. If we can recall our promise to pay our outstanding notes, why should we not issue more? If we can disregard our promise to pay them, why shall we regard our promise not to issue more than \$400,000,000 as stipulated for by the act of 1864? If we can reopen the question of the payment of our notes, why may we not reopen the question of the payment of our bonds? Is the act of 1869 any more sacred than the act of 1875? If we reopen these questions, why not reopen the laws requiring the payment of either interest or principal of the public debt? They rest upon acts of Congress which we have power to repeal. If the public honor can not protect our promise to the note-holder, how shall it protect our promise to the bond-holder? Already do we see advocated in high places, by numerous and formidable organizations, all forms of repudiation, which, if adopted, would reduce the credit of our nation to that of a robber chief—to a credit worse than that of an Algerine pirate, who at least would not plunder his own countrymen. And if the public creditor has no safety, what chance can the national banks—creations of our own and subject to our will—have in Congress? It is already proposed to confiscate their bonds, premium and all, as a mode of paying their notes with greenbacks. What expedient so easy if we would make money cheap and abundant? Or, if so extreme a measure could be arrested, what is to prevent the permanent dethronement of gold as a measure of value, and the substitution of an interconvertible currency bond bearing 3·65 per cent. interest as a standard of value; and, when it becomes too expensive to print the notes to pay the interest, reduce the rate? Why not? Why pay 3·65 per cent. when it is easier to print 3 per cent.? It is but an act of Congress. And when the process of repudiation goes so far that your notes will not buy bread, why then declare against all interest, and then, after passing through the valley of humiliation, return again to barter, and honor, and gold.

Sir, there is but one end if you once commence this downward course of repudiation. You may, like Mirabeau and the Girondists, seek to stem the torrent, but you will be swept away by the spirit you have evoked and the instruments you have created. You complain now of a want of confidence, and that this want makes men hoard their money. Will you, then, destroy *all* confidence? No, sir, no; the way to *restore* confidence is to *inspire* it; and this can be done by fulfilling your obligations. You can not make men lend to you; you can not make them sell to you anything—either bread, or meat, or wool, or iron, or anything that is or that can be created—except for that which they choose to take. You may depreciate the money which you offer, but it will only take the more of it to buy what you want. It is true that the creditor may, by your laws, be compelled to take your money, however much you depreciate it; but he can not buy back with it that which he sold, or its equivalent in other necessaries of life; and thus he is cheated of part of what he sold. During the war, while money was depreciating, many a simple man gleefully counted his gains as he

sold his goods or crops at advancing prices; but he found out his mistake when with his swollen pile he tried to replace his stock in trade, or to lay in his supplies. Sir, this policy exhausts itself in cheating the man who buys or sells or loans on credit, who produces something to sell on credit; whether that something be or be not food or clothing; whether it be or be not a necessity or a luxury of life. Productive labor, honest toil, whether of the farmer or the artisan, is deeply interested in credit. It is credit that gives life and competition to trade; and credit is destroyed by every scheme that impairs, delays, or even clouds an obligation.

Again, sir, an irredeemable and fluctuating currency always raises the rate of interest on money, while the rate is reduced by a stable currency or an improving currency. This is easily shown by statistics, but the reason is so obvious that proof is not needed. If a man lends his money he wants it back again with its increase; but if the money, when it is to be paid back, is likely to be worth less than when he thinks of loaning it, he will decline to lend it except at such rates as will cover the risk of depreciation. He will prefer to expend it in land or something of stable value. If money is at the gold standard or is advancing toward that standard, he will loan it readily at a moderate interest, for he knows he will receive back money of at least equal value to that he loaned.

Again, sir, with a depreciated currency, great domestic productions are cut off from the foreign market; for it is impossible that with such a currency we can compete on equal terms with rival nations, whose industry rests upon a specie standard. As we approach such a standard, we are now able, as to a few articles, to compete with foreign industry; but it is only as to articles in the manufacture of which we have peculiar advantages. Let us rest our industries on that standard, and soon we can compete in the markets of the world in all the articles produced from iron, wood, leather, and cotton, the raw basis of which are our natural productions. And it must be remembered that all the countries with which we compete are specie-paying countries. A country that does not rest her industry upon specie is necessarily excluded from the great manufacturing industries of modern civilization, and is self-condemned to produce only the raw basis for advanced industry. Cheap food, climate, soil, or natural advantages, such as cheap land, vast plains for pasture, or rich mines, may give to a country wealth and prosperity in spite of the evils of depreciated paper money. When we come into competition with the world in the advanced grades of production which give employment to the skilled mechanic, we must rest such industry upon the gold basis, or we enter the lists like a knight without his armor.

Again, sir, a depreciated and fluctuating currency is a premium and bounty to the broker and money-changer. Under his manipulation our paper standard of value goes up and down, and he gambles and speculates, with all the advantages in his favor. Good people look on and think that it is gold that is going up and down; that their money is a dollar still, and trade and traffic in that belief. But the shrewd operator calculates daily the depreciation of our note, the

shortening of the yard-stick, the shrinking of the acre, the lessening of the ton; and thus it is that he daily adds to his gains from the indifference or delusion of our people.

Sir, this is an old story, often repeated in our day, and it was eloquently epitomized by Daniel Webster in that often-quoted passage of his speech in which he said :

A disordered currency is one of the greatest of political evils. It undermines the virtues necessary for the support of the social system and encourages propensities destructive of its happiness. It wars against industry, frugality, and economy; and it fosters the evil spirit of extravagance and speculation. Of all contrivances for cheating the laboring classes of mankind none has been more effectual than that which deluded them with paper money. Ordinary tyranny, oppression, excessive taxation, these bear lightly on the happiness of the mass of the community, compared with the fraudulent currencies and the robberies committed by depreciated paper. Our own history has recorded for our instruction enough, and more than enough, of the demoralizing tendency, the injustice, and the intolerable oppression of the virtuous and well-disposed of a degraded paper currency authorized by law or in any way countenanced by Government.

Sir, we must meet this question of specie payments, not only because we have pledged to it the public honor, but also for the lesser reason that it is for our interest. The only questions we should permit ourselves to discuss are the means and measures of keeping our promise.

And now, sir, let us examine the reasons that have been given for the repeal of the resumption act by those who, though favoring resumption, yet think the act should be repealed for one or other of the following reasons :

1. That it is not advisable to fix a day for resumption.
2. Or at least until the balance of trade is in our favor.
3. That it produces a contraction of the currency.
4. That it injuriously adds to the burden of existing debts.

Let us glance at these objections.

1. As to fixing a day for resumption.

If it was possible to agree upon measures that would secure resumption without fixing a time, I agree it would not be indispensable, though not unadvisable, to take this step. But such an agreement is utterly impossible. Of the multitude of schemes that have been presented to me by the intelligent men who are trying to solve this problem, many could have been selected that in my opinion would be practicable; but of all of them not one ever has or is likely to secure the assent of a majority of a body so numerous as Congress. One difficulty we have encountered is that the Democratic party, though in the minority, has never presented in any form through any leading member a plan for resumption, but with widely differing opinions have joined in opposing any and every measure from the other side. I understand from the papers that our Democratic friends, through a caucus, and through a caucus committee of which my colleague is chairman, have been laboring to agree upon a plan for specie payments. After his frequent speeches to us about a caucus measure—a great question being submitted to a caucus—about secret conclaves, about shams and deceptions and such like polite and friendly com-

ments upon the work of the Republican party, I might greet my colleague with such happy phrases about *his* caucus; but I will not; on the contrary I commend his labors, and sincerely hope that he and his political friends may agree upon some plan to reach a specie standard, and not one to avoid it, to prevent it, to defer it. Under color of intending to prepare for it, I hope they will not make their measure the pretext for repealing the law as it stands, but instead that they will secure the end we both aim at, by fixing the day for resumption.

I frankly state, for the Republican party, that, while we could agree to fixing the time for specie payments and to confer the ample and sufficient powers upon the Secretary of the Treasury contained in this law, we could not agree in prescribing the precise mode in which the process should be executed. Nor, in my opinion, was it at all essential that we should. Much must be left to the discretion of the officer charged with the execution of such a law. The powers conferred, as I shall show hereafter, are ample; and the discretion given will be exercised under the eye of Congress.

And, sir, there is strong force in the fact that in every example we have of the successful resumption of specie payments in this and other countries, a fixed day has been named by legislative authority, and the details and power of execution have been left to executive authority. Thus in Great Britain, the act of Parliament of July 2, 1819, fixed the time for full resumption at the 1st day of May, 1823, and for a graduated resumption in gold at intermediate dates; and for fractional sums under forty shillings to be paid in silver coin; and the governor and directors of the Bank of England were charged with its execution, and authorized at their discretion to resume payment in full on the 1st day of May, 1822. France is now successfully passing through the same process of resumption, the time being fixed (two years ago) for January 1, 1878, and now practically attained. In our own country many of the States have presented similar laws in case of suspended bank payments, and in some cases the suspended banks have, by associated action, fixed a time for general resumption, and each bank adopted for it its own expedient. Sir, the light of experience is from the lamp of wisdom. I can recall no case of successful resumption where a fixed future time has not been presented beforehand, either by law or agreement; while the historical examples of repudiation of currency have come by the drifting process, by a gradual decline of value, by increased issues, and by a refusal to provide measures of redemption, and were followed by the disappearance of the whole mass, dishonored and repudiated.

This concurrence in the mode of resumption by so many governments was the strongest possible instruction to Congress when fixing a plan of resumption for the United States, and should satisfy reasonable men of its wisdom.

Besides, it would seem to be but fair that every one should have plain notice of so important a fact. If the measures only were presented and no time fixed, it would be a matter of speculation, and the discretionary powers of the Secretary of the Treasury could be exercised with a view to hasten or postpone the time to the injury of individuals.



As to the date selected, I can only repeat it was placed as remote as any one suggested; far more so than is necessary to secure the object, and so that the fluctuations of value will scarcely exceed in four years what they have frequently been in a single year. Ample time is given to arrange all the relations of debtor and creditor, and to enable Congress to provide any additional measure in aid of resumption, or if events make it expedient to even make further postponement.

Again, it has been objected that we can not resume, until the balance of trade is in our favor. The phrase, "balance of trade," has been a favorite with visionaries and theorists, and is sufficiently indefinite to confuse and mislead. This dogma is generally understood to mean "that a nation that imports more than it exports is growing poorer"; or, conversely, "that a nation that exports more than it imports is prosperous." Now, sir, both propositions have been proved false in many cases, though both in some may be true. It does not follow that an excess of imports creates distress, or that a deficiency of exports is an evidence of poverty. Even the excess of imports upon which interest is paid may be of wealth-producing productions; or a deficiency of exports may be caused by an increased domestic manufacture of raw products by home industry. But the best way to test the fallacy of this dogma is by reference to examples. Great Britain is known to be a prosperous nation of accumulating and accumulated wealth; and yet her imports have exceeded her exports every year for twenty years. The general average of her imports in excess of exports is £50,000,000 or \$250,000,000 a year. I have here the detailed statement of her imports and exports for 1872 and 1873:

1872. Imports.....	£354,693,624
Exports.....	314,588,834
Excess of imports over exports.....	£40,104,790 or \$200,000,000
1873. Imports.....	£371,287,872
Exports.....	311,004,765
Excess of imports over exports.....	£60,282,607 or \$300,000,000

Now, according to the dogma of the "balance of trade," Great Britain is going into a rapid decay; while she knows this large excess of imports is an addition to her national wealth.

But take our own country and compare years of conceded prosperity with years of hard times:

	1867.	1868.
Imports.....	\$391,121,801	\$351,214,010
Exports at gold value, including gold.....	334,350,653	352,788,202
Balance of trade against us.....	\$56,771,148	.....

Yet we were then prosperous, as we have so often been told, with plenty of paper money.

Take the last two years, when we are told so often that distress, misery, and poverty prevailed:

	1874. -	1875.
Exports at gold value, including gold.....	\$652,913,445	\$605,574,853
Imports.....	595,861,248	553,906,153
Balance of trade in our favor.....	\$57,052,197	\$51,668,700

And the balance of trade in our favor is more striking during the seven months of the present fiscal year, from the 1st of July, 1875, to the 1st of February, 1876.

The total exports, reduced to gold values, were..... \$334,853,996  
 The total imports were..... 281,729,735

Leaving a balance in our favor in coin for seven months of..... \$53,124,261

All these amounts are reduced to a coin basis, and include both the importation and exportation of coin.

According to the dogma of the "balance of trade," now is the golden moment to resume, when the balance is in our favor nearly one hundred millions a year. Yet many people cry out, "Wait for the balance of trade; don't force resumption." Well, the time has come, and yet they are not ready. This dogma has been the cause of infinite confusion, but is now abandoned. McCulloch, in his "Dictionary of Commerce," thus refers to it:

In commerce the term "balance of trade" is commonly used to express the difference between the value of the exports from and imports into a country. The balance *used* to be said to be favorable when the value of the exports exceeded that of the imports, and unfavorable when the value of the imports exceeded that of the exports. And in this country this was long believed to be the case, and down to a late period we were annually congratulated by our finance ministers on the excess of the exports over the imports.

The attainment of a favorable balance was formerly regarded as an object of the greatest importance. . . .

The truth is, however, that the theory of the balance of trade was not erroneous merely from the false notions which its advocates entertained with respect to money, but proceeded on radically mistaken views as to the nature of commerce. . . .

The argument about the balance of payments is one of those that contradict and confute themselves. . . .

Not only, therefore, is the theory with respect to the balance of trade erroneous, but the very reverse of that theory is true. . . .

It is difficult to estimate the mischief which the absurd notions relative to the balance of trade have occasioned in almost every commercial country; here they have been particularly injurious.

This author fortifies his position with ample details; but it is sufficient to say that if the dogma is false we should not regard it, and, if it is true, now is the golden moment for resumption, for the balance of trade is in our favor. In my view it is utterly immaterial to the question before us.

The third objection is that the law produces a great contraction of the currency.

Now, sir, it ought to be confessed, for it is true, that any plan for specie resumption will, when it is about to take effect, produce some contraction of the paper currency. The drifting process, if it succeeds, must cause it as well. To wait for resumption until resumption will

produce no temporary contraction is to wait until the rivers cease to flow, or the mountains are level with the plains. In each of the historical cases I have referred to, resumption was preceded by contraction. Remedies for bodily or political ailments are apt to be unpleasant. All we can say is that public honor and public policy demand the remedy for the dishonor and the evil of a depreciated currency; that the time is ripe for the cure, and the means we have prescribed are suitable to the end.

And, sir, the degree of contraction and the effects of it are greatly exaggerated. The only contraction of the currency provided for by the act is in the substitution of one form of currency for another. Thus, in place of the fractional currency is issued silver currency; and where national-bank notes are issued eighty per cent. of the amount in United States notes is retired. Thus far we have called in no fractional currency; but, as I will show hereafter, we can now and will, if the law stands, issue as much silver currency as any one may wish in exchange for either fractional currency or United States notes; and, as to bank notes, the amount issued since the act took effect is \$13,820,760, and the amount of United States notes retired is \$11,056,608, leaving of United States notes still outstanding \$370,943,392, or \$14,900,000 more than was outstanding when the act of March, 1869, was passed, and the same amount more than was outstanding on the 14th day of September, 1873, when the panic came. Thus it appears that under the law the amount of bank notes issued is \$2,800,000 more than the United States notes retired, and the contraction of the currency prescribed by this law is a myth.

But there has been a contraction of the currency since the panic, and before and after the passage of the act of 1875, which will go on whenever in any way a specie standard approaches, and that is by the voluntary retirement by national banks of a portion of their circulating notes. This contraction is not provided for by the resumption act, but is authorized by the national banking acts, and is the healthy ebb and flow of currency which it was the object of the law to secure. The national banks retired \$24,962,327 of their notes by depositing that amount of United States notes in the Treasury of the United States, to be used exclusively in redeeming their bank notes when presented. The only motive for this deposit was that in the opinion of those banks, the circulating notes could not be profitably used, or they were not strong enough to maintain, at the specie basis, all of their notes. This process will, and ought to, go on until each bank is certain it can maintain resumption at the time stated. Nor is this contraction in the slightest degree injurious to the bank, or to the ability of the bank to loan money to its customers. The banks will not withdraw their notes unless it is to their interest to do so. When they do surrender or redeem them, they at once receive a larger amount of their bonds held as security for their notes, which are worth about 30 per cent. more than the notes redeemed. Thus, when a bank surrenders \$9,000 of its circulation, it lifts from the lien of the note-holder \$10,000 of the United States bonds, worth to-day about \$12,000. If the bank sells the bonds, it has \$12,000 of currency to loan, and has strengthened

itself by paying \$9,000 of its notes. This process, instead of being a cause of alarm, should be encouraged and hastened; and this is practically the only contraction effected by this bill, a contraction which is in the very line clamored for by those who oppose national banks; but still it is a voluntary contraction, made by the silent operation of the interest of the bank, while at the same time it advances the residue of notes to par in gold.

Sir, in my judgment, the real solution of the problem of specie resumption will thus come through the voluntary act of national banks, each acting for itself, under the general direction of the law, precisely as the Bank of England, the Bank of France, and the New York banks brought about and maintained resumption. I have never regarded with solicitude the amount of United States notes outstanding, for, as I will show, they can be easily maintained at par in gold; but the agency of the banks in securing resumption and the effect of resumption upon their customers were matters of solicitude. This I no longer doubt or fear. The whole problem consists in a partial and limited transfer of capital now invested by national banks in United States bonds, to individuals. The high price of these bonds and the idle capital that seeks investment in them will enable each bank to strengthen itself by a sale of bonds without in the least impairing its ability to discount or loan, and, in fact, to increase its power to do so; and the bonds will be absorbed by the increasing demand for such securities. Strong banks in cities do not need the currency, for their currency is certified checks. Their currency is largely held by them, and what they have in circulation can be retired and canceled without impairing in the least their ability to loan or discount. The bank currency being thus diminished, as the time for resumption approaches, the United States notes, supported by a gold reserve and the power of the Secretary to sell bonds, will easily be maintained at the gold standard, and the problem is solved.

And, sir, this partial contraction of bank currency will unlock and dissipate a greater contraction which has gone on since the panic, and will go on until the public mind rests assured that the day of resumption is not only promised, but rendered certain by the course of events. An increase of currency will follow resumption. Great masses of notes now lie idle in bank vaults and in the Treasury, and are hoarded in homesteads all over the land. There is deposited in the Treasury, without interest and belonging to banks, \$31,005,000, represented by currency certificates. There are now in the vaults of the national banks \$73,626,100 in United States notes and fractional currency, \$17,166,190 in bank notes, in all \$90,792,290; while in the savings banks, State banks, and other banks that have made returns to the Comptroller of the Currency, there is the sum of \$48,431,409, making in all \$170,228,699; and this is far more than the reserve required by law. The practice of hoarding currency has greatly increased from the day of the panic, and it may be safely said that there is among the people and in savings banks and trust companies not less than \$200,000,000 of idle currency. Nothing but the best security will tempt it from its hiding-places; but, when that security is offered, it can be had for a less rate

of interest than ever before. Capital met its periodic shock in September, 1873, and great masses of it, some say one thousand millions, vanished as a dream, and those millions are now represented by worthless bonds, bills, notes, and certificates of stock, worth but little more than the paper on which they are printed. This panic came upon us when the paper god was lord of the ascendant; when corner lots, at fictitious prices, were the par of exchange; when unproductive railroads were the El Dorados of visionaries; and wild schemes of improvement, both in this city and in all the cities of the Union, increased municipal debts to an unexampled degree. This reckless inflation of credits collapsed long before this law was passed. Money, the agent of capital—and, when idle, capital itself—was hoarded, and still remains inactive, or is loaned on call or unquestioned security. *This* is the contraction of which so many complain. It is not caused by the resumption act, but by a want of confidence in proffered investments. Confidence can not be restored by a repeal or by issuing more paper money. But the occasion offers you an opportunity to withdraw a portion of this idle money, and of thus reaching a specie standard. The banks can freely surrender a portion of their circulation, and thus be strong for resumption; while frightened and timid capital will gladly float into United States bonds when sold by the banks. Nothing is wanting but confidence, faith, and time to secure the closing triumph of our war policy by the redemption of the only promise we then made that has not been honestly redeemed.

The remaining objection to the law is that it will add to the burden of existing debts. This objection is also inseparable from any plan of resumption. Postponement or repeal will not help the matter. *The time for redemption must come.* Current indebtedness was never less than now. Liquidation has gone on rapidly since the panic, and in many cases by open bankruptcy. Debts contracted since the passage of the act have been made in view of resumption in 1879. Many of the old debts run for a long period of years, and when issued were made upon the presumption of specie payments before they matured. Other large masses of debts stipulate for the payment of both principal and interest in coin. Nearly all the best investment securities are now at or near par in gold and are bought and sold at gold values. Current debts in trade will mature and be paid long before the time for resumption; or if they are renewed, the debtor and creditor will adjust the mode of payment. All new transactions are based upon the knowledge that specie payments will come at the time stated, and for that reason stipulation is made for lower rates of interest. When it is once fixed in the public mind that on the 1st of January, 1879, paper money will be advanced to the specie standard, and debtors can readily borrow money payable in that standard at lower rates of interest, capital will no longer be invested in gold bonds from the fear that if loaned to individuals it will be paid back in depreciated paper, but it will eagerly be invested at low rates of interest, on mortgage or other security, if it is to be paid in improved and improving currency. Industries now languid or suspended will hopefully revive, as stocks are reduced, and productions have a fixed commercial value, not only in home markets

but in the markets of the world. Merchants now fear the shrinkage of prices, but their stocks will be renewed at a corresponding reduction until all prices are measured by the gold standard, when they fear no other change of prices except those arising from demand and supply. Debtors are also generally creditors, and the loss and gain in values will balance each other, and the time is ample in which all losses can be adjusted. Never could our condition be better to resume the specie standard than now, unless we intend to perpetuate the use of depreciated paper money and totally disregard the pledge of the public faith to redeem United States notes in coin.

There are two objections made to the law which I ought not to pass over without reply. One is that this law forces resumption; and that it is better to drift into resumption. It will come, they say, by natural causes. The other objection is that the law has been in force a year and we are no nearer resumption; that it is therefore a dead letter and ought to be repealed. These two objections are not consistent with each other; but each has its believers, and should be answered.

The drifting process has been tried since 1868. Then the law fixed the volume of United States notes at \$356,000,000, and forbade its contraction, and the amount of bank notes at \$300,000,000, and forbade its enlargement. It was said we would grow into resumption. This was the plausible dogma with which I was met when I sought the funding of notes into bonds. The result I have already stated. In 1870 the sectional inequality of the distribution of bank currency, inflamed into a passion by the sectional appeals of Horatio Seymour when a candidate for President in 1868, forced the enlargement of the limit of bank notes to \$354,000,000; and the vain hope of stopping a panic by paper promises forced the enlargement of the limit of United States notes to \$382,000,000. So will it always be with this drifting process. When we reach a specie standard it is safe enough. If national banks then issue more money, upon sufficient security to pay in coin, they do it at their peril; and the people can not lose, nor can their standard of value fluctuate. But even if it was possible to fix the present volume of currency as an arbitrary limit, it would only prolong indefinitely the evils of a depreciated currency. No one believes that we could maintain in circulation near \$800,000,000 of paper money all the time at par in gold. It must have the quality of flexibility in amount to meet the currents of trade and business—at times withdrawn, and when needed reissued, but always of the value of gold—and these qualities can only be secured by prompt redemption when it is not needed, and its reissue through loans and discounts by banks when the crops are to be moved, or trade becomes active.

And as to the objection that the law has not already produced more immediate results, I admit that this is an objection to the law, but it was unavoidable under the circumstances. The time for resumption should have been fixed much earlier, so that its effect would have been more rapid. If by the law the banks had been compelled to prepare for resumption sooner, the appreciation of our notes would have been more marked; and its effect would also follow if a portion of the notes could be funded, or either gold or notes could be held in reserve by the

sale of bonds. Who does not wish that our notes were now worth ninety-five instead of eighty-nine cents on the dollar? And yet to have produced that result we must have either hastened the day for resumption or have strengthened the measures for resumption. But what is the remedy for this slow process? Is it to repeal the law, not a single provision of which by its terms has been put in full operation? Is it to revoke our promise and all efforts for its fulfillment? Obviously not; the remedy is to stand by our engagement and perform it *sooner* if circumstances will allow.

And now, sir, I come to the second proposition stated: Can we resume specie payments on the 1st day of January, 1879?

On this proposition we are to consider the question as it affects the national banks, the fractional currency, and the United States notes.

As to the national banks, I have already stated how redemption with them becomes an easy and natural process, to be performed without injury to them, or to their customers, or to their usefulness, by a transfer or sale of United States bonds especially set aside for that purpose, and only to the extent that each bank may deem essential to its safety. The national banks are now exceptionally strong. Their circulating notes amount to \$346,479,756. Of these notes they have in their vaults the sum of \$17,166,190. They have with the Treasurer of the United States \$356,680,150 in United States bonds, worth \$427,947,224 in currency or \$374,582,200 in coin. They also hold United States bonds to secure United States deposits \$13,981,500, and other United States bonds held in their vaults to the amount of \$16,909,550. They have a surplus, over and above the capital fully paid up, of \$192,300,000. With the great body of them, the redemption of the whole or a large part of their circulation is a matter of indifference. To the extent of a certain per cent. of their deposits and five per cent. of their circulation they must maintain a reserve of United States notes, and to that extent they will aid the United States in maintaining resumption. The amount of this reserve now required is \$80,135,200, but the amount in hand is \$118,800,987. As United States notes are equivalent to coin with them, they will seek to hold as much as they can, as other banks in England hold the notes of the Bank of England. Is it not, then, apparent that the national banks are able to resume, are prepared to resume, and that resumption by them need not be delayed a single year; and that, so far as their notes are concerned, it is a shame and scandal that they are only worth eighty-nine cents on the dollar—and all because the United States will not advance its notes to par in gold?

Now, sir, as to the fractional currency. This was issued to take the place of the subsidiary silver coins of the country during the war. The amount outstanding, as shown by the books of the Treasury, is \$45,120,132; but of this many millions have been lost and destroyed; and this is shown by the large amount of the old issues never presented although long superseded. It is probable that not exceeding \$40,000,000 will be presented for redemption. Now, sir, as to this currency, we are able to-day to issue silver coin of legal weight and fineness in exchange, dollar for dollar, for fractional currency, not only without loss, but with an actual profit. One ounce of silver bullion,

of four hundred and eighty grains of standard fineness, is worth in the market \$1.05 in coin. One dollar of our silver coin contains three hundred and eighty-four grains of standard silver; so that one dollar of silver coin will cost the United States eighty-four and one quarter cents besides the cost of coining. To the extent that our people will take silver coin in exchange for fractional currency, the problem is already solved. It is said this coin will be hoarded. So much the better. We can furnish from our own mines all that is needed, to the extent of fifteen millions on hand and two millions a month more, that being the extent of our coinage facilities. It is said it will be exported. No such good luck will befall us, for silver bullion is cheaper and better for export. If we issue it, we will either redeem a note or save paying out a note, and either way we make a profit. If fifty millions silver coin is held by our people it is to that extent a reserve for specie payments where it is most useful among the people. I wish they would take one hundred millions, but I do not doubt that enough will be taken to redeem all the fractional currency that our people will not prefer to retain.

And now the only remaining question is, Can we redeem or maintain at par, by the 1st day of January, 1879, the United States notes?

The amount of these notes outstanding to-day is \$370,943,392, less those lost and destroyed. Now, many who fear resumption suppose the whole mass of United States notes will then be presented for the gold; and they have counted up the number of tons of gold that will be required for their payment. They figure up the interest at five per cent. on the whole sum, and add that to our annual interest account. It is not necessary to reply to such exaggerations; nor can we state with precision, what amount of United States notes would circulate at par in coin. They could then be made receivable for customs dues without a violation of the public faith. They will always be the reserve of national banks. They could then be made receivable for United States bonds. They could be supported by the power to sell bonds to redeem them. They would, as a matter of course, be supported by the whole gold reserve in the Treasury. They would take the place of certificates of deposit, and be used in clearing-house exchanges.

Now, sir, with all these advantages, with the growing wealth and credit of our country, I do not believe the present volume of United States notes need be largely if any reduced to keep them at par in coin. We have now a gold balance in the Treasury of \$37,120,772.73 and a currency balance of \$9,529,404 over and above our currency and coin certificates. It is true this balance is subject to the overdue and accruing demands fully stated in a recent letter of the Secretary of the Treasury; but a certain amount of these demands always remains uncalled for, and when presented are met by accruing revenue. Suppose (what I regard as an extreme case) that we add to this reserve \$100,000,000, fifty million in coin certificates and fifty million in coin, does anybody doubt but it will be ample to redeem any note that is presented? Confidence being once established in their redemption, who will want the gold for them? They can be and not doubt will be re-issued without or with the legal-tender clause, as the law may here-



after provide ; and with their credit secured, established at par in coin, they will not only circulate in Texas and on the Pacific slope as well as in other parts of the United States, but, like the Bank of England notes, they will circulate in all countries with which we have commercial relations.

Let us pursue the argument, taking the full burden of resumption as the interest of one hundred millions per annum. The rate of interest now in currency may be stated at four per cent. or four and a half per cent. in gold. Thus four to four and one half millions a year, three years hence, is the extreme burden of specie payments. Sir, the sinking fund in three years amounts to more than the one hundred millions you are to keep in reserve. The saving already made thus far by funding the debt into five per cent. bonds is five millions a year. The saving that you will make by the funding into four and one half per cent. will be seven and one half millions in gold, or nearly twice as much as is needed. The saving of four millions on the appropriation bills sent to us will cover the cost. It can be paid by a duty of five cents on each gallon of whisky. One half of the smallest duty ever levied on tea and coffee will do it. One half of the taxes now levied on national banks by the United States will do it. The increased value of our tax on whisky and tobacco being paid in coin will twice do it. Are we able to do it? Are we able to keep our promises when made specific as to time, place, and manner? I do not care to discuss this question further. Sir, the United States has been blessed by Divine Providence with all the gifts which He has ever showered upon the human race. We have a broad and fruitful land, with almost every variety of climate and production. We have forty millions of free people, industrious, intelligent, brave as becomes men, shrewd and sagacious in trade and production, and loving honor and a good name. To say that we can not redeem our promises is to dishonor the blessings of God ; it is to eat of the forbidden fruit when all the productions of nature and art are within our reach ; it is to dishonor our name and credit when the world is ready to lend us at a less rate of interest than that for which any nation of the world except Great Britain has ever borrowed ; it is a party retreat ; it is a national retreat ; it is a retreat of cowardice from a task we promised to perform, that we are able to perform, and which every noble motive that actuates mankind impels us to perform.

But, it is asked, where is the gold to come from to enable us to resume? Not only is the gold of the world open to our competition, but we are the largest gold- and silver-producing country of the world. The product of our mines is about one hundred millions a year, and a single year's product would more than enable us to resume. Our facilities for accumulating gold are greater than those of any other nation. "But the gold is exported." So it is, because we will not use it as do the other nations. Give it occupation here and it will remain here, and the products of our farms and workshops will be exported instead. It is said we can make a standard of something else that is not exportable. So we can ; but it will be by cutting ourselves off from the civilization of the human race.

Sir, I have been struck by the absolute poverty of invention of those who in our day seek to dispense with the gold standard. Every plan proposed, every idea suggested, is but the repetition of plans and ideas proposed in the American colonies, in Great Britain, in China, and by George Law. Their schemes have been tried and exploded over and over again for four thousand years; and yet gold and silver now measure every article of property, and will measure the daily fluctuations of the contrivances they invent.

And now, sir, let us turn from the main point, and briefly examine the third question: Are the agencies and measures prescribed by the act of 1875 sufficient for the purpose?

I need not remind this Senate and Senators around me how reluctantly I came to the support of this bill, because it does not contain provisions that for years I have struggled to secure. Still, sir, I feel bound to say that it embodies ample agencies and powers to carry it into a full execution, without the addition of a single provision by Congress. The first section of the bill is limited to the redemption of fractional currency. This, as I have shown, can now be fully executed, and the only criticism is that it has not been sooner executed. Not only can the notes be redeemed in silver without loss, but the actual cost of coining the silver, strange as it may seem, is less than the printing of the fractional currency.

The cost of coining subsidiary silver coin is shown by the Director of the Mint to be from one and a half to two per cent.; and it is much less when the mints are running to their full capacity.

The actual profits of seigniorage will not only pay this cost, but more than the interest on the bonds we may sell to procure the bullion.

On the other hand, the cost of the fractional currency is three and a half per cent. of the amount issued; or, to be exact, the expense of preparing and redeeming the fractional currency for the year 1875 was \$1,410,746.95. The amount issued was \$40,365,145. And what is worse, the average life of these notes is less than one year, so that this expense is an annual one almost equal to the interest on the whole sum. Thus the stopping of the issue of fractional currency will save us \$1,400,000. The silver coin pays a debt when issued, while the fractional currency only renews it, and it must be replaced by another note within a year. Sir, the wisdom of this provision is now so demonstrated that a committee of the House unanimously refuse to print the currency and demand the issue of the silver coin, while two months ago the scheme was pronounced visionary, impracticable, and a sham. We are now at a specie basis for our fractional currency; and yet when the law was enacted we were told it would be hoarded, bought up by money-changers, or exported. We are now told "Nobody wants the silver; they prefer the fractional notes." So it is; and so also it will be when we approach the gold standard. Nobody will want to give up the United States notes for gold when the note will buy fully as much as gold.

But it is said we can only buy the silver bullion by issuing bonds. That is true now, because our surplus revenue is not large; but how will the United States ever pay its notes at a cheaper rate? One mil-

lion of dollars of five per cent. bonds will, to-day, buy sufficient silver bullion to make \$1,200,000 in subsidiary silver coin. When and how can this operation of paying our debts be better commenced, unless we mean to postpone payment indefinitely? It has been said that the five per cent. bonds authorized have been exhausted? Not so. The law is plain and express, and was designed and intended to authorize the Secretary of the Treasury, not only to use any surplus revenue, but "to issue, sell, and dispose of, at not less than par in coin, either of the *descriptions* of bonds of the United States described in the act" for refunding the public debt. The refunding act is only referred to for the "description" of the bonds authorized. But to make this construction more clear, it is provided "that all provisions of law inconsistent with this act are hereby repealed." Thus, not only the public faith, but all the surplus revenue and the public credit, as represented by either of three kinds of bonds, to wit, those bearing four, four and a half, and five per cent. interest in gold, is granted to the Secretary to enable him to execute this trust. The only limit in amount is the amount that will enable him to execute the law. The only limit of price at which he can sell the bonds is "not less than par in coin."

The second section is only material as it tends to induce the coining of gold by repealing the mint charge.

So much of the third section as relates to national banks is not material, except as it provides a way by which circulating notes may be issued; but if issued it will be with full knowledge that in due time they must be redeemed in coin at the pleasure of the holder.

Then comes the provision—the vital provision—of the law: "And on and after the 1st day of January, A. D. 1879, the Secretary of the Treasury shall redeem in coin the United States legal-tender notes then outstanding on their presentation for redemption." Then follows the ample power already quoted: "And to enable the Secretary of the Treasury to prepare and provide for the redemption in this act authorized or required, he is authorized to use any surplus revenue from time to time in the Treasury not otherwise appropriated, and to issue, sell, and dispose of," at not less than par in coin, either of the bonds already referred to. Such are the duties enjoined, and such are the powers conferred.

Sir, in this respect, both the powers and duties of this act are clearer and stronger than in the acts under which Great Britain resumed and France is now resuming. Who can doubt that with or without further legislation the work can be accomplished by a Secretary who will obey and execute the law? The power to "prepare" for resumption is a broad discretion that commences with the passage of the act and continues during every hour and day of its existence, but is one to be exercised with exceeding caution and moderation.

But, sir, this is not all. When Congress passes an act imposing a duty upon a public officer, it implies an obligation that it will furnish all the aid and auxiliary legislation necessary to carry it into execution. The extent and nature of this is within the discretion of Congress; but when the power conferred upon him is ample, and the duty imposed

is clear, he must act even though Congress neglect its duty to support him by auxiliary legislation.

And this brings me to the last proposition I propose to discuss, and that is—

What additional legislation ought Congress now to adopt in aid of the law ?

The Secretary of the Treasury recommends, first, that the legal-tender quality of the United States note be taken from it before 1879. I can not agree to this, for the United States note is as much a contract to pay money as a bond ; and we can not take from that note any quality that gives it value, until we are prepared to redeem it in coin. The proposition is too much like the act of March, 1863, already referred to, which stripped the note of its quality of convertibility into bonds.

His second recommendation is—

That authority be given for funding legal-tender notes into bonds bearing a low rate of interest. . . . It seems probable that a bond bearing interest at the rate of four per cent. would invite the funding of a sufficient amount of legal-tender notes to lessen materially the sum of gold which, in the absence of such provision, must be accumulated in the Treasury by the 1st of January, 1879, to carry out the imperative requirements of the act of January 14, 1875. If it be apprehended that authority to the Secretary to fund an unlimited amount of notes might lead to too sudden contraction of the currency, Congress could limit the amount to be funded in any given period of time. The process being in no sense compulsory as to the holders of United States notes, and the rate of interest on the bonds being made low, it is not probable that currency which could find profitable employment would be presented for redemption in such bonds. Only the excess of notes above the needs of business would seek such conversion. Authority to the Secretary of the Treasury to redeem and cancel two million of legal-tender notes per month by this process would greatly facilitate redemption at the time now fixed by law, and besides would have the advantage of publicity as to the exact amount to be withdrawn in any given month. Bonds issued for this purpose should be of the denomination of fifty and one hundred dollars, and any multiple thereof, in order to meet the convenience of all classes of holders of United States notes.

The President in his annual message recommends—

That the Secretary of the Treasury be authorized to redeem, say, not to exceed \$2,000,000 monthly of legal-tender notes, by issuing in their stead a long bond bearing interest at the rate of 3·65 per cent. per annum, of denominations ranging from \$50 to \$1,000 each. This would in time reduce the legal-tender notes to a volume that could be kept afloat without demanding redemption in large sums suddenly.

3. That additional power be given to the Secretary of the Treasury to accumulate gold for final redemption, either by increasing revenue, curtailing expenses, or both—it is preferable to do both ; and I recommend that reduction of expenditures be made wherever it can be done without impairing Government obligations or crippling the due execution thereof.

These recommendations, substantially concurring, are wise, and would be efficient ; and to secure them ample means are provided by the application of the sinking fund for two or three years without additional taxation. Indeed it is neither wise nor prudent to apply the sinking fund to the purchase of bonds not due, at a high premium, when it may be applied, according to the act creating it, to the purchase of notes already due.

The honorable Senator from Vermont [Mr. Morrill] has introduced

a bill, and a number of other bills and propositions relating to this subject have been referred to the Committee on Finance; and the elaborate resolutions of the Chamber of Commerce of New York are now before us.

I will not anticipate the provisions of these various propositions, except so far as to say that I will cheerfully support any measure of wise economy, proposed to strengthen the public Treasury; that I will cheerfully vote for a moderate tax on tea and coffee, because this will increase our revenue without adding to the cost of the articles, and will enable us to repeal other taxes that are both a burden and an inconvenience, and will also strengthen the Treasury; that I will gladly vote for the voluntary conversion of a limited amount of United States notes into bonds, as each of those measures will tend to "prepare" us for a specie standard. But, sir, each of these measures, and others that may be proper, are not, in my judgment, indispensable to the full and complete execution of the law of 1875 on or before the 1st day of January, 1879.

Indeed it may well be questioned whether all of them may not be properly postponed until the next session, when the deliberate judgment of Congress, guided by the sense of the people, can be rendered. I would gladly vote for them now; but we have acted together thus far, and I will not unduly press upon my associates measures they do not fully approve.

Sir, I have a confident belief that if Congress will now hold fast to the law as it stands, the drift of events and the practical operation of the law will not only vindicate its wisdom, but will secure in due time every proper auxiliary legislation to carry it into full execution. The duty of the hour demands firmness and faith. There are times in the lives of nations and individuals when the temptation is strong to turn from the path of honor, to shrink from and evade the performance of obligation. Then it is more than ever that the old adage should be remembered that "honesty is the best policy." For one I feel that my course is as clear as the sunlight of heaven; and I trust that the great party to which I belong may now, as in sterner times and under greater difficulties, stand fast to the national honor pledged by it in the act of 1875; and when the difficulties inseparable from a great duty have passed away, we will be as proud of our position now, as we are of the firmness and faith with which we prosecuted a great war, and secured to the people of our day and of future generations the blessings of national union and universal liberty.

I move that the memorial of the New York Chamber of Commerce be referred to the Committee on Finance.

The motion was agreed to.

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## FRACTIONAL CURRENCY—SILVER COINAGE.

*IN THE SENATE, APRIL 11, 1876.*

THE bill to provide for a deficiency in the Printing and Engraving Bureau of the Treasury Department, and for the issue of silver coin of the United States in place of fractional currency, being before the Senate, Mr. Sherman said :

MR. PRESIDENT: I was in hopes that the Senate would be willing to act upon this bill without much discussion; but, as Senators desire it, it is due to the Senate that I should state in behalf of the Finance Committee the reasons for the passage of the bill and for the amendments proposed by the Committee.

The first section of the bill contains simply an appropriation of \$163,000 to provide for engraving and printing and other expenses of making and issuing United States notes; and it is plainly unobjectionable, unless the Committee on Appropriations desire to change the amount.

The second section directs the Secretary of the Treasury to issue silver coins of the United States of certain denominations in redemption of an equal amount of fractional currency, and is, in substance, the provision of the existing law, but is inserted by the House of Representatives for the purpose of making the law mandatory.

The third section of the bill, however, presents the most difficult question in political science. This section, as sent to us by the House of Representatives, provides :

That the silver coins of the United States of the denomination of \$1 shall be a legal tender at their nominal value for any amount not exceeding \$50 in any one payment, and silver coins of the United States of denominations of less than \$1 shall be a legal tender at their nominal value for any amount not exceeding \$25 in any one payment.

This presents the question of the single or double standard, which has probably been the occasion of more pamphlets, books, and documents than any other question whatever in political science. As a general rule, the English authors have favored a single standard of gold; the French writers have generally favored a double standard of gold and silver; while there are writers without number who have advocated, some the single gold standard, some the single silver standard, and very many the double standard. I might state the argument briefly, without going into details, in the language of a recent author, in which the arguments in favor of the single gold standard are concentrated into three :

The advocates of the gold valuation say: "There is a constant liability to fluctuations in the standards of value. It is better therefore that, in order to secure unity, there should be but one standard, and this standard should be gold." . . .

The second argument brought forward by the advocates of gold valuation is, that silver is too heavy for the present purposes of commerce; that its carriage and handling are inconvenient, and that gold, being so much lighter, is more suitable. . . The third argument or allegation is that all civilized nations either have adopted, or show the disposition to adopt, the gold valuation.—(Seyd, "Metallic Currency of the United States," page 39.)

Each of these positions has been answered, as it is thought, by those who advocate the double standard, or the single silver standard. To the first objection in regard to the fluctuation of the value of gold and silver, it has been answered that sometimes gold has declined in value as compared with silver; sometimes silver has declined below gold value; sometimes the variation is one way and sometimes the other, and therefore the mere fact of variation is not an objection to either silver or gold as a standard, and ought to have no weight in the argument. The two metals have kept together with remarkable nearness; and it is said with great force, it seems to me, that to adopt the gold standard alone and demonetize silver would be to deprive the poor people of the world of the money which alone measures the value of their productions and of their labor. The gold, from its nature, is not divisible into a coin of convenient form of less than \$2.50. The dollar gold coin in this country and the five-franc piece in France never attained any considerable circulation. Therefore gold alone is not suitable for a currency because it will not measure the daily wants of the great mass of mankind.

To the second objection, that silver is too heavy to export, it is answered that it costs no more to transport \$100,000 of silver from one port or place to another than it does \$100,000 of gold. This is true. By any form of conveyance the price of transporting \$100,000 of silver is precisely the same as of transporting \$100,000 of gold, being based on value and not on weight, because the risk of loss is the chief element of cost.

The third allegation, that all civilized nations either have adopted or show a general disposition to adopt the gold valuation, is denied as a matter of fact. England alone of all the great powers has adopted the single gold standard. Half a dozen other countries of minor importance have adopted it. Most nations have adopted either the double standard or the silver standard. The great mass of mankind (two thirds of the human race) still use and do all their business upon the silver standard alone; so that there is no such weight of example as gives to either standard a decisive advantage over the other.

Mr. President, I shall dismiss this controversy of the schools without going further into it, although it is a very interesting subject of study, and I could give Senators references to about a hundred volumes about it. I will dismiss it so far as the theory of the question has been discussed among political economists, but I wish to call the attention of the Senate in some detail to the existing law of the United States and also to the laws of Great Britain, France, and Germany, so that we may know precisely the condition of the coinage of those countries, in order to test by law and experience whether the amendments proposed by the Committee on Finance are wise or not.

The first United States statute on the subject, which established the Mint, was passed in 1792, and is contained in volume i. of the Statutes of the United States, page 248. I have it before me. This act establishes the proportional value between silver and gold by declaring that one ounce of gold shall be equivalent to fifteen ounces of silver, and the weight of the coins is based on that proportion. The conse-

quences of this error will be perceived in a moment. Our gold coin was made one twelfth part of alloy and eleven twelfths of fine gold, in accordance with the English standard. Our silver coin contained one hundred and seventy-nine parts alloy to fourteen hundred and eighty-nine of silver, or about one ninth alloy. The weight of the gold coin was twenty-seven grains to a dollar, and that of the silver coin four hundred and sixteen grains, and either gold or silver was made a legal tender for all purposes. Thus the double standard was adopted by the people of the United States at the beginning of the Government to the fullest extent. The only debate on this bill, showing that it excited no attention, was as to whether the head of the President of the United States for the time being or the head of the Goddess of Liberty should be put upon the coin. That was the only thing they cared about. All the philosophical questions involved in the proposition, the relations of silver to gold, and whether they should both be made legal tender, do not seem to have been deemed worthy of consideration in that early Congress of the United States.

The result of this act was to demonetize gold, because one ounce of gold was worth more than fifteen ounces of silver; and then the law of currency comes in, that if a coin or currency is undervalued it disappears from circulation. The result was that in the early period of our history gold entirely disappeared. It is a part of the history of the time, as shown by official reports, that there was substantially no gold in the United States from 1792 to 1834, simply because the gold, being undervalued, left the country, leaving silver and bank notes as the basis of all transactions. In order to counteract this effect of our coinage law, Congress, in 1834, by an act to be found in the fourth volume of the Statutes at Large, reduced the weight of gold coin from twenty-seven grains to the dollar to twenty-five and eight tenths grains of standard gold, nine tenths fine. That is, they made one ounce of gold equal to sixteen ounces of silver. That was the substance of the change. They changed the relative value of gold and silver to each other; and subsequently, by the act of 1837, they changed the silver coins so as to conform to this standard. By the act of 1837 gold and silver coin contained one tenth part of alloy. The weight of the silver dollar was fixed at four hundred and twelve and one half grains. It was of less weight than the old silver dollar, but of the same value, because it was finer, having less alloy. By these two acts both silver and gold coins were of the same fineness and bore the relation to each other of one to sixteen. The weight and fineness of gold coins thus fixed has never been changed. All coins, both silver and gold, were made a legal tender for all sums.

Here again a mistake was made that would appear to be very trivial in ordinary legislation, but it was great enough to revolutionize our metallic currency. In 1834 and 1837 Congress underestimated the value of silver; that is, one ounce of gold was not worth sixteen ounces of silver; but by law they made it so, and this was the result: Gold commenced coming into the country, and silver flowing out; so that from 1834 or 1837 until 1853 silver had entirely disappeared from the currency of the United States by reason of our laws undervaluing silver



as they had previously undervalued gold, the true ratio of silver to gold being between one to fifteen and one to sixteen, or one to fifteen and a half. The effect of this is stated very strikingly by Mr. Seyd, from whose book I will read an extract :

The disappearance and exportation of the American silver coinage were caused by quite a different matter. The American silver coinage was always liable to exportation for the simple reason that it contained an undue proportion of silver. In all countries where the double valuation prevails the relative proportion of value between gold and silver stands at one to fifteen and one half, and the market value of silver in countries where it is not a standard gives on the average the same result. In the United States alone the rate taken was one part of gold to sixteen of silver (15·98837), the proportion resulting from the eagle at two hundred and fifty-eight and the silver dollar at four hundred and twelve and one half grains. The dollar therefore contained three and one third (3·29) per cent. more silver than it ought to have contained according to its nominal value. No wonder, then, that the dollar was rapidly exported, and that no one found inducement to bring silver to the mints for coinage. And let it be understood that the supply of gold had little or nothing to do with this. Long before the discovery of gold in California, ever since 1837, has the effect of this premium on the United States silver dollar made itself manifest. In exchange for it the foreigner need not have supplied gold; other commodities served the purpose of realizing elsewhere the large profit which the United States gave to the exporter of her silver coin. Much that has been doubtful, peculiar, and unsatisfactory in the history of the United States currency between 1837 and 1850 owes its origin to this astounding mistake on the part of the Government, which must, as every one can see, have given rise to general disorganization of the currency and to disappointment in the capacity of the country to retain metallic currency. I go further, and say that it was the cause why America was obliged to make so large a use of paper money, with all its evils of unequal interests, extravagant habits, and expenditure.

It is remarkable that by the adoption of the first standard of 1792 gold at once left the country and silver filled the channels of business, and that by the attempt to correct this error our laws overleaped the market and true relative value of these metals and established the rate of silver too low, and this drove silver out of the country and gold became the universal currency. This necessary result was deepened and strengthened by the fact that in 1850, by the discovery of gold mines in California, gold came pouring into us in such floods that our silver currency entirely disappeared and its relative value increased. All the money we had was gold money, not silver money. We had no change. In some parts of the country we resorted to "shiuplasters." Thus a slight error in fixing the relative value between gold and silver made two remarkable movements in these precious metals, a striking illustration of the necessity for the utmost care in dealing with all questions affecting metallic money.

In 1853 Congress undertook to correct this evil, and under the lead of Mr. Hunter of Virginia, then Chairman of the Committee on Finance, the act of 1853 was passed. I have before me a very learned report made by Mr. Hunter, in which he pointed out the evils of the then existing system and prescribed, as he thought, a remedy. Perhaps I had better read to the Senate a brief extract from Mr. Hunter's report to show that he examined the matter with great care; that he appreciated the evil to be remedied. But even he finally fell into the error of largely demonetizing silver by not reducing the silver dollar then undervalued. Mr. Hunter, on the third page of his report, says :

Indeed, it appears from a carefully compiled table appended to Mr. Ingham's report (document No. 117, page 101), that from 1492 to 1825 there were coined from the American mines \$4,310,000,000 in silver, and only \$1,890,000,000 in gold. But, in tracing the effect of this change of the relative value upon particular countries, we must not forget its operation upon the rest of the world. In thus excluding one of these metals from one country, if its property and trade were large, and in thus forcing more than its natural proportion into manufactures, we should diminish the volume of specie currency of the world below the natural supply. How this would affect mankind will be hereafter examined. But the mischief would be great indeed if all the world were to adopt but one of the precious metals as the standard of value. To adopt gold alone would diminish the specie currency more than one half; and the reduction the other way, should silver be taken as the only standard, would be large enough to prove highly disastrous to the human race. Indeed, a reference to the history of the precious metals and the general course of human production can scarcely fail to convince us that there has been a constant tendency to appreciate their value as compared with the residue of the property of the world, and that every extraordinary increase of the supply of the precious metals of which we have any account has exercised a highly beneficial effect upon human affairs. When contracts are made by a standard which is gradually contracting, the advantages are on the side of capital as against labor, and productive energy is cramped by receiving less than a fair share of the profit of its enterprises.

It is manifest from this extract from Mr. Hunter's report, which is very voluminous, that the desire of Mr. Hunter and those who voted for the passage of the act of 1853 was to bring back silver into this country, so that we might have silver and gold again as the currency of the country, and the measure they adopted was intended to produce that effect. What was it? By the act of 1853 no change was made in gold coin or in the silver dollar. The latter was left demonetized by being rated at less than its market value. The act provided, however, for subsidiary silver coin: the half-dollar, the quarter-dollar, the dime, and the half-dime. It prescribed the weight of the coin at three hundred and eighty-four grains to the dollar, instead of four hundred and twelve and a half grains. It made the subsidiary coin a legal tender for five dollars, and all other coins were left a legal tender without limit. This act, as I stated, provided for a subsidiary coinage worth about six per cent. less than par, assuming the relative value of silver and gold to be sixteen to one. The subsidiary coin was made a legal tender to the amount of five dollars, leaving the silver dollar legal tender for all amounts.

The effect of this act of 1853 was to bring back to us silver change in abundance as a token coin. There were issued between 1853 and 1861 about \$48,000,000 of silver coin. It was the change of the country, and to that extent silver was monetized again and in daily use; but the dollar was still undervalued and has never entered into circulation from 1853 to this time. Except for special purposes, the silver dollar of the United States disappeared from among the coins of the world for the palpable reason that it was more valuable for export than for circulation. The silver dollar of the United States has never been changed in intrinsic value; the change has been in the gold dollar.

The effect of the law of 1853 was practically to demonetize the silver dollar, to provide a subsidiary coin for circulation, and to give employment to about \$48,000,000 of silver for the change of the country. So the laws of the United States as to our coins continued until

February, 1873, when Congress passed an act to revise and consolidate all the statutes in regard to coinage. This act is embodied in the Revised Statutes. The changes made by this act are very slight. No change was made in the gold coin; it is still twenty-five and eight tenths grains of standard gold to the dollar. The subsidiary silver coins were to weigh twenty-five grammes to the dollar. That raised the value of the silver coins from three hundred and eighty-four grains to twenty-five grammes or three hundred and eighty-five and eighty one-hundredths grains, so that it very slightly raised the amount of silver in the subsidiary coins in order to harmonize with the French coins; so that now one dollar of our subsidiary money is precisely of the same weight and fineness as five francs of the French coin, and our silver coin is now easily convertible into French or Latin unit coins. The old silver dollar was dropped out in the revision; and why? Simply because it was not in use. It could not circulate because in 1872 and 1873 the silver dollar was worth more than the gold dollar. As it had not been coined for twenty years, it was dropped out from among the coins of the United States. As a matter of course this does not prevent us restoring it at any time when we think it is for the public interest to do so.

But the most striking change made by the act of 1873 was the introduction of a new dollar called the trade dollar. Senators here mostly understand the reason why that trade dollar was provided for. Silver was beginning to be affected by the events that I shall allude to presently. There was a great demand for silver in China, however; and the Mexican pillar dollar for a good reason had gotten into the markets of China, and was the most desirable coin, because it was worth a little more than the dollar of the United States and more than the dollar of any other country. Therefore in China they would not take any other dollar. There they measure small differences much more carefully than we do. In order to induce the Chinese to take our dollar instead of the Mexican milled dollar, so that we might give to our people a chance to export their silver in the form of coin, we authorized the holders of bullion to present their bullion at the mints of the United States to be coined into trade dollars containing four hundred and twenty grains of standard silver. The old dollar contained only four hundred and twelve and a half grains; so that the trade dollar contained seven and a half grains more of silver, and that made it a little more valuable than the Mexican dollar, which contained four hundred and sixteen grains of silver, with a little less alloy than ours. The trade dollar has a shade more value than any other dollar, and at once superseded the Mexican silver dollar in China. The result was that the Government of the United States, by coining trade dollars at the expense of the holders of bullion, introduced into the commerce of the world a new money, which is now being absorbed largely in Japan and China and by all Asiatic nations.

I have stated, I believe, all the laws of the United States without exception which affect the value of either gold or silver coins. There have not been many of them. Our coinage laws have been very stable; no changes have been made except for an obvious purpose. The law

of 1792 stood on our statute books unchanged until 1834, and then was modified only as far as the gold coins were concerned; and the law remained unchanged from that time until 1853, and was then modified only so as to introduce subsidiary coinage; and it remained then until 1873, when it was changed in order to introduce the trade dollar.

Those are all the changes; so that the silver dollar of our Revolutionary fathers is the silver dollar of to-day if we choose to restore it. The trade dollar has been introduced simply as a commercial dollar. Here is the difficulty in which we are placed: by the sudden fall of silver the trade dollar, instead of being worth more, is worth less than gold; and yet by the act of 1873 the trade dollar was made a legal tender. The result is that a dollar less valuable than gold is made a legal tender for the payment of gold contracts to a limited amount. But that is not the worst of it. We could bear that very well; but the worst of it is that by the act of 1873 any holder of silver bullion can convert his bullion, which is worth seven per cent. less than par, at the mere cost of minting, into dollars; and the law makes them a legal tender to the extent of \$5, for customs dues and the like. Thus the Government of the United States allows private individuals to regulate the amount of our coinage. It is perfectly manifest to every man who will examine this matter that we have got to do one of two things: either take away from the trade dollar its legal-tender quality or take away the right of the holder of bullion to make the trade dollar.

The simplest thing to do is to repeal the section authorizing the issue of the trade dollar. But then come these gentlemen from California and Nevada and say, "We have built up a trade on this; it is a convenient form of exporting our bullion; we do not ask you to pay the expense, however. We pay that ourselves. Why should you step in now and destroy that which we have built up?" And there is no answer to it. Therefore I think it is well to keep the trade dollar as it stands, to enable the people of this country to convert their silver bullion into the best form for commercial purposes, but to take away from it its legal-tender quality, and then no silver coin can be issued except by the United States, and the profit and the benefit will inure to the United States; and, more than all, the amount will be regulated by the United States. It is manifest that if the trade dollar is to continue and silver remains depreciated, with the right of any holder of silver bullion to convert it into trade dollars, the country will be overwhelmed with money that is not at par in gold.

I hope, therefore, Senators will see that, as far as the trade dollar is concerned, while we do not wish to interfere with its usefulness and its value, we must take away from it that attribute which was not intended to be given to it when the law was passed, and which changes its character from a commercial dollar to a legal-tender coinage.

Mr. President, I have now stated all I desire to state about the laws of the United States. But this question is affected by the laws of all other countries with whom we have dealings. The question of coinage is an international question. It is not enough for us to stop with seeing what our own laws are, and deciding how far we shall change them, but we must see what the laws of other countries are, or we may be in the

position that Congress was in in 1853 and 1837, and in 1792, when by making a mistake in the relative value of gold and silver they drove out of circulation, contrary to their intention, first gold and then silver.

Great Britain is generally supposed to be at the head of the nations that have adopted what is called the single standard of gold. In England anybody may carry gold bullion of any kind or in any form to the mint, and there have it coined into sovereigns of certain weight and fineness, without charge at all. They have some refining charges, but they make no charge for coinage. The same right is conferred upon the owner of silver bullion, with this qualification, and it is a very important one: a man may take a pound troy, or what will make a pound troy, of silver bullion of a certain standard to the mint, and Great Britain converts it into sixty-six shillings, paying him sixty-two shillings. It retains the other four for its own use as a seigniorage.

The shillings issued are of the standard fineness. The result of that is that every English shilling is worth less than bullion in intrinsic value, but by being made a legal tender for a limited amount it is equal in money value to gold coin. It is used as what is called a "token" coinage. The weight of the shilling is eighty-seven and one fourth grains. Four shillings are equal to three hundred and forty-nine grains of standard silver. The alloy of standard silver there is seventy-five one-thousandths. Their silver coin is finer than ours, but it is not so valuable, our alloy being one tenth, but containing more grains to the dollar. The value of the English silver shilling in our money is twenty-one cents and four mills. The value of the gold shilling is twenty-four and thirty-three one-hundredths cents, or twenty shillings passes for a sovereign worth \$4.866. The difference between the English shilling and our quarter dollar is in favor of ours. Our coin is more valuable than theirs. Our silver coin has always been more valuable than theirs since 1816. And yet, notwithstanding that Great Britain has thus debased its coinage, four shillings to sixty-six, they keep in circulation of this token coinage in a country of 32,000,000 people from eleven to fifteen million pounds sterling on an average, over \$60,000,000. Though everybody knows it is intrinsically worth 6 or 7 per cent. less than gold, yet from the fact that they carefully limit the amount and regulate its issue it is maintained in circulation, and is the coin by which nearly all the labor of England is paid. It is a legal tender to the extent of forty shillings and no more. Nor is it necessary, in order to maintain this large amount in circulation, to have a legal tender for any greater sum; because, the Government having the exclusive power to issue it, issue only so much as the demand will keep at par with gold. Such is the law of Great Britain.

In Canada, where there are 4,000,000 people, their twenty-five-cent piece is worth a little less than ours. It is very much like the English coin, but a little less valuable than ours. I estimate it at six one-thousandths of a grain less than ours. As a matter of course our silver coin will pass between this country and Canada when we get to specie payments. Our subsidiary silver coin will go all over Canada. It is worth a little more than the Canadian money, and I have no doubt it will fill the channels of business there.

This brings me to the statement of the silver coinage of France, Belgium, Switzerland, and Italy, which have a population of 72,000,000. Their money is based mainly on the French standard of 1792, and it is regulated by the convention of December 23, 1865, which I have here before me. It is, probably, the most important monetary convention now in force. I will cite some of the provisions of it. The weight of a franc is five grammes, so that they have a simple metrical unit of weight. For five francs it is twenty-five grammes, and that is precisely the weight of our two half dollars or four quarters. The fineness is nine tenths, precisely like our own coin. The limit of issue is fixed at six francs, or \$1.20, per inhabitant. In Great Britain there is no enforced limit, the amount issued being governed entirely by the demand. But in this convention they have provided that none of the nations shall issue more than six francs per inhabitant. But that makes an enormous sum. The limit of \$1.20 per inhabitant would give to Belgium 32,000,000 francs; France, 239,000,000; Italy, 141,000,000; Switzerland, 17,000,000; in all 429,000,000 francs; or about \$82,000,000 or \$83,000,000. And this, remember, is subsidiary coin. Each nation has its standard of silver besides, which it maintains at the relation to gold of fifteen and one half to one. The five-franc piece in France, just as our dollar was in 1853 and up to 1873, is a legal tender for all sums. The same law applied to us would make a circulation of about \$50,000,000, but our population being more scattered it is generally supposed by those who have studied the subject that we can now maintain a circulation of subsidiary coin of seventy or eighty million dollars.

The legal tender among private individuals under this convention is fifty francs, or \$10. It will be seen that wherever silver is used in modern nations, the limit of legal tender is carefully preserved as the only way of preventing the depreciation and exportation of one or the other of the coins. Among private individuals it is limited to fifty francs, or \$10; among the contracting states to one hundred francs; that is, each of the contracting states agrees to receive it at their treasuries for one hundred francs. The old coinage is redeemed in the gold and silver of the convention. Such is the conventional law which I have before me, which regulates now the monetary transactions of 72,000,000 people. There is no doubt whatever, that in 1867, when the Paris monetary conference was held, if Germany had consented, this conventional law would have been agreed to as an international law, and would have been made the basis of the entire commerce of the world. I was present at that conference, and it was then the general sentiment of the nations represented that gold should be the unit of value; and that, by providing for subsidiary silver coinage at the relative value as fixed by the convention at fifteen and a half to one, there would be no difficulty in maintaining it. What defeated the convention was the pride of the English in the pound sterling, and the refusal of the German nation, then not united as now, to surrender the silver standard, which was then their sole standard of value; and so the effort for an international money failed. But the monetary convention of the Latin states, which was the work of purely scientific men, has proved a success. One of the provisions of the convention

authorized any nation whatever to join it with all the advantages conferred by the convention; so that it is open to all the world. In this convention the relative value of gold and silver is fixed at fifteen and one half to one.

Now I come to what is called the German law; and I think there is a great deal of misapprehension not only in the newspapers and among intelligent people, but among the mass of our people, in regard to the recent action of Germany. I have the German statute here.

In Germany silver alone was formerly the standard of value. They had but little gold. I remember very well, in 1867, in traveling in Germany, that we relied entirely upon the English sovereign and the French twenty-franc piece to pay expenses in Prussia because the German coinage was abominable, composed of a confusing variety of coin. They had the silver thaler, which was the standard of value, but there was no gold in Germany that I saw except the French napoleon and the English pound sterling. There were many states or nations in Germany; they could not agree. But when Germany became a great power as the result of the recent war, the German Reichsrath, on the 4th of December, 1871, provided for gold coins and established a mark, worth twenty-three and eight tenths cents, as the unit of value. That is the unit not only of silver but of gold. The ten-mark piece of gold is worth \$2.38 of our money. That act of December 4, 1871, related only to gold coins and provided a unit, but did not demonetize or affect in the slightest degree the silver coinage of Germany, which then amounted, according to some estimates, to four or five hundred million dollars. By the act of July 9, 1873, which I have before me, Germany undertook to change her standard from a single silver standard to the double standard of silver and gold. The common impression now is that Germany has adopted the single gold standard and demonetized its silver. On the contrary, the change in Germany is simply from the single silver standard to the double standard of gold and silver.

Article 2 of the statute of the Reichsrath provides that, in addition to the gold coins created by act of December 4, 1871, there shall be coined also silver coins.

Article 3 provides for pieces of 5 marks, 2 marks, 1 mark; of 50 pfennigs, and of 20 pfennigs; nickel and copper.

The coinage shall be regulated by the following decisions:

One pound of fine silver shall be coined into 20 pieces of 5 marks, 50 pieces of 2 marks, 100 pieces of 1 mark, 200 pieces of 50 pfennigs, and 500 pieces of 20 pfennigs.

The alloy consists of 900 parts of silver and 100 parts of copper, 90 marks weighing one pound.

The process of coinage shall be decided by the Bundesrath. The deviation from the standard shall not exceed in single coins .003 in fineness, and not more than .001 in weight, with the exception of the 20-pfennig coins; the normal weight, however, must be preserved in the bulk.

Article 4 provides that the total amount of silver shall, until further orders, not exceed 10 marks per head of the population.

This is the important provision of this law, by which a larger silver coinage is authorized in Germany than is found anywhere else in Europe. While 6 francs is the limit in France, while our limit has practically been only about \$1.25, we having only issued \$48,000,000 of silver coin, and while in England the amount has been limited to about \$2 per inhabitant, in Germany the amount of silver provided for is 10 marks per inhabitant, or \$2.38, making for 40,000,000 of people at least \$100,000,000 of silver coin; and, as I will show, they have already issued nearly two thirds of that amount.

The law further provides as follows:

After every new issue of coins an equal quantity of the old circulating silver coins shall be drawn in, beginning with the coins under the thirty-thaler standard. The value to be determined in the way explained in article 14, section 2.

ART. 7. The coinage and redemption is done at Government expense.

ART. 9. Nobody is obliged to receive more than 20 marks in silver or more than 1 mark in copper.

The Reichs- and the Landescassen (Government banks) shall receive silver to any amount as legal tender.

That is, all the Government banks are bound to take silver as legal tender for all transactions.

The Bundesrath will designate the banks which shall exchange amounts of not less than two hundred silver marks for gold coin.

The government undertakes to supply the banks with the necessary money to redeem and the banks undertake to redeem all this money at par, so that it is practically a legal tender.

ART. 10. Silver coins which have lost considerable weight by circulation shall be received in Reichs- and Landescassen; they must be, however, drawn in at the cost of the empire.

ART. 14, SEC. 2. In reducing the value of other coin, not gold, the value of the thaler is three marks, the gulden, süddeutsche Währung, one and five sevenths marks, the mark of Hamburg one and one fifth marks.

The important bearing of these provisions of the law will be seen when I come to look at what has actually been done in Germany and has so disturbed the monetary values of the whole world. The amount of silver coin outstanding in Germany has been estimated by various authorities, and was estimated by the Government of Germany at \$340,000,000; but it is shown now while they are changing currency from one form to another that the amount was underestimated, so that the amount of silver in circulation in Germany alone in 1873 when this act passed was probably \$400,000,000. The one- and two-thaler pieces which were the common circulation of Germany are still a legal tender for all amounts, and are received by the Government at par in gold. The great body of them is still outstanding. A recent writer in the London "Economist" says:

As regards the bearing of this arrangement on the requirements for gold in our market, the leading facts are, first, that the one- and two-thaler pieces coined were estimated by the German Government, in introducing the coinage law of 1873, to amount to 459,000,000 thalers, equal to about \$340,000,000, or £68,000,000, of which the two-thaler pieces represent 65,000,000 thalers, or £9,750,000, and the one-thaler pieces, 394,000,000 thalers, or £59,000,000; second, that according to the estimates of writers like Herr Soetheer and others, at least three fifths of this silver coinage is



still in circulation—that is, \$180,000,000, about £36,000,000 in all, of which £5,850,000 would be in two-thaler pieces, and the remainder, or about £30,000,000, in one-thaler pieces.

That is, there is still outstanding \$180,000,000 of the old silver coins of Germany, besides the amount that has been issued of new coin. I have here also a statement taken from the London "Economist" of a late date, March 25, 1876, of the amount of new coins issued by Germany :

On the 11th of March all the newly coined money in Germany amounted to:  
In gold pieces, 1,356,141,220 marks—

Or about \$300,000,000 in gold coin.

In silver pieces, 193,118,226—

Or about \$50,000,000 of new silver coins. Besides, there is outstanding, as I have shown, \$180,000,000 of old silver coins which are now a legal tender for all purposes. The enormous effect of this law in Germany, and as a consequence the partial demonetizing of silver coins, I suppose is felt by every man, woman, and child who buys or sells anything. I suppose there is no act of any parliament that has had so wide-reaching effects as this act of the German Parliament. The amount of coin in the world is estimated by Mr. Seyd and other technical writers at \$3,200,000,000 silver and \$3,500,000,000 in gold. So the effect of the act of Germany, aided no doubt somewhat by the large supply of silver by our mines, has been to reduce the purchasing power of the whole of this enormous sum of thirty-two hundred millions of silver fully 10 per cent. The fall of the silver trade dollar in this country has been from 103 to 91. This effect extended itself to what is called the Latin League, who feared that German silver would be carried rapidly into Italy, France, and the nations of the league, for coinage purposes, and they interfered at once and stopped the coinage of silver. It also created an impression in India; so that, for the first time for two hundred years, the current flow of silver into China and India was arrested, but only for a short time, however. It is one of the remarkable currents of trade in the history of mankind that with the silver that has been coined in the world the greater part flows in a continuous stream into these Oriental countries; and for three or four months a feeling of alarm was created there lest that which they cherish as the measure of all their values should become valueless to them. It created a partial panic, but that panic has passed, and now the stream goes on; silver flows into India and China and all the Asiatic countries as heretofore.

That was not the worst of it. A struggle for the possession of gold at once arose between all the great nations, because everybody could see that if \$3,200,000,000 of silver coin were demonetized and \$3,500,000,000 of gold coin made the sole standard it would enormously add to the value of gold, and the Bank of France, the Bank of England, and the Imperial Bank of Germany at once commenced grasping for gold in whatever form. Therefore what we have observed recently is not so much a fall of silver as it is a rise of gold, the inevitable effect of a fear of the demonetization of silver; and now the Bank of France has in its vaults the enormous amount of \$300,000,000 of gold in coin

and bullion; the Bank of England has \$170,000,000, and the Imperial Bank of Germany has \$125,000,000. So in these three depositories there is over \$600,000,000 of gold, or nearly one fifth of the supply of the world.

Mr. President, the effect of the movement in Germany has already reacted in a wonderful manner. A recent order in Germany has suspended the conversion of the thaler and monetized it. I have not that order, but I have here a recent French pamphlet, a very incisive and well-written one, which speaks of the recent action of Germany thus :

It is scarcely necessary to point out the gigantic losses Germany would, before causing this disastrous crisis, entail upon herself should she continue to offer heavy sums of silver and to demand heavy sums of gold. The silver so offered would be more and more depreciated, and the price of gold would rise in a converse ratio, entailing a loss of millions to the German treasury.

The ministry of the Empire have foreseen these difficulties. To meet them they inserted in the decree ruling that from January 1, 1876, all payments shall be made neither in florins nor thalers, but exclusively in marks, a restrictive clause to maintain in circulation the thalers, which are to be counted as gold and to be each held as equivalent to three marks.

Since demonetization has begun, silver which is constantly offered to foreign markets goes on falling in price, while at home the value of the thaler, this coin being a legal tender under the restrictive clause above mentioned and appraised at three golden marks, is not depreciated. Bankers, therefore, when they have payments to make abroad, are careful not to transmit thalers. They send gold marks, reserving their thalers for home payments. Government buys back the gold in foreign markets and the bankers go on exporting it. The treasury thus undertakes to weave a Penelope's web without any Ulysses in the distance. Already 20,000,000 marks have been sent abroad, the sixth part of all that has been coined. To sum up, Germany has judged it prudent not to demonetize rapidly, while the success of a slow demonetization appears highly doubtful.

I do not believe that this process will go any further than it has already gone. It is now arrested. Besides that, an agitation in Great Britain and France has already arisen for the establishment of a bi-metallic currency. Even Great Britain, that since 1816 has maintained the system of a single standard and a token coinage, is now discussing the question whether it will not be necessary in self-defense, especially for the India commerce, to restore, to some degree at least, the double standard. In France they have already provided that when specie payments are resumed they shall be resumed upon the double standard of fifteen and a half to one, which is now the relative value of gold to silver in France; and when specie payments are fully entered into, as they very soon will be, and probably can be now, the old law of the monetary conference will be enforced in France and all the Latin countries. Besides that, Asia again is rapidly absorbing silver, and the forced demonetization of silver will be counteracted. It is used now by two thirds of mankind as the sole standard of value. It is used by all nations as a token coinage to a very large extent, as I have already shown. It will soon be used to the extent of forty or fifty million dollars in the United States of America. We now have nearly \$20,000,000 to pay out, and can coin it at the rate of \$2,000,000 a month; so that we shall ourselves, in the execution of our law and of this law among others, use a large amount of silver, probably not less than sixty or seventy million dollars. The absolute necessity of smaller coins will

always maintain more or less of silver and make it absolutely necessary. The utter ruin that would come to mankind, especially to the poorer nations, by the entire demonetization of silver can not be estimated by us. Take one half of the solid money of the world out of existence; take the sole standard of more than two thirds of the human race, reduce it to a base metal, and the effect upon the commerce of the world would be incalculable. It can not be done; it will not be done. There is no danger of it. These two metals, gold and silver, have traveled side by side from the beginning of time; the records of human history do not go back to a time when they did not move together. They have varied in value, sometimes one and sometimes the other being higher; but they have gone on, gold the money of the rich, silver the money of the poor, the one to measure acquired wealth, the other to measure the daily necessities of life; and, sir, no act of parliament, although it may disturb for a moment the relation of these two metals to each other, nothing but an act of God, can destroy the use of both of them by mankind. I will add some statistics from Dr. Soetbeer, published in Germany, of the proportionate values of gold and silver at different dates and epochs:

Some interesting notes have been published lately in Germany by Dr. Soetbeer on the variations in the proportionate values of gold and silver at different dates and epochs. In ancient times the relative value of gold to silver was about one to thirteen and one third, and toward the end of the old Roman Empire of the West it rose to about one to fourteen and one half. In the Middle Ages and down to the fifteenth century the standard was about sixteen of silver to one of gold; but after the discovery of America the value of gold fell rapidly, until the proportion stood at ten and one half to eleven of silver to one of gold, which relation was maintained with but little fluctuation during the sixteenth and beginning of the seventeenth century. After that date gold began to rise again in value, and by the end of the seventeenth century the proportion had become one to fifteen. The standard of comparative value fluctuated backward and forward at about that figure during the eighteenth century, and at the close silver was about fifteen and one half.

Up to 1850 silver had never fallen so low as sixteen, while from 1850 to 1852, owing chiefly to French coinage operations and the absorption of silver for the double standard in that country, the price of that metal tended to advance slightly. It was never higher than fifteen, but still it was considerably less than fifteen and one half. After 1859 the course of the price of silver tended downward by almost imperceptible steps; but it was not until 1873 that the price began to be decidedly low; it then fell to sixteen and eight one-hundredths in relation to gold, and by the end of 1875 had touched in London sixteen and eighty one-hundredths, or fifty-seven and eleven sixteenths pence in London.

Perhaps I am wearying the Senate by these details; but it seems to be necessary in the condition of the information on the subject that I should state them. There are certain general conclusions which I draw from a reference to these statutes in various countries which I will briefly state.

First. It is impossible in the nature of things to fix the precise value of silver and gold. We have tried it three times and failed.

Second. Whenever either coin is worth more in the market than the rate fixed by the law, it leaves the country. That we have twice proved. That is in accordance with the Gresham law: a law of currency named from the name of its discoverer. He wrote a book to

show that always the poorer currency would drive out of circulation a superior currency; and his book gave name to the theory that is called the law of Gresham. It is the universal law of political economy that, whenever two metals or two moneys are in circulation, the least valuable will drive out the most valuable; the latter will be exported.

Third. The great European nations as well as the United States, in order to prevent the depreciation of silver, issue it as a token coinage somewhat less in intrinsic value than gold, and maintain its value by issuing it only as needed, at par with the prevailing currency, and by making it a limited legal tender. I may say that that has been the plan adopted by every great Christian nation. Russia and Austria have not yet had gold coinage at all, but still they have their values based upon gold.

Fourth. The demonetizing of silver tends to add to the value of gold, and though its relative value changes it is more stable compared to gold than any other metal or production. Its limit of variation for a century is between fifteen to seventeen for one in gold.

Fifth. Both coins are indispensable, one for small and the other for large transactions.

Sixth. The causes of the decline of silver are temporary. It is still used by a great majority of mankind as the standard of value. Its use in France and the United States will on resumption more than counteract its decline in Germany.

Seventh. The general monetizing of silver now, when it is unnaturally depreciated, would be to invite to our country, in exchange for gold or bonds, all the silver of Europe, and at last it would leave us with a depreciated currency.

Eighth. The decline of silver enables us now to exchange silver coin of the old standard for fractional currency, leaving the exchange optional with the holder, until we have the courage, as we now have the ability, to redeem our currency in coin.

Ninth. More silver can be maintained at par than we have now of fractional currency.

Tenth. The redemption of a part of our currency would advance its purchasing power, while the silver in circulation will counteract the contraction of the currency.

Whenever we have heretofore proposed any measure that looks to the redemption of our United States notes—and I can not but regard our failure to provide for them now, twelve years after the war, as a disgrace to American civilization—when we seek to advance United States notes, it is said that we contract the currency and affect prices and cause a derangement of values. Here we can pay out solid money, good money, money unchanged in value from the time of the Revolution to this hour, for the redemption of our United States notes without loss, without contraction; and surely we can not refuse to do it. If we pay out the silver it enters into circulation and takes the place of United States notes; and why should we refuse to the holder of the United States notes the right to demand that of us which is now no more valuable than the note itself? It is sometimes said that nobody wants the silver dollar. Try the people and see if they do not want

it. If they do not want it, then no harm is done. I would not make any man take it. I would not make any man who holds a greenback note payable in gold take the dollar in silver, because I would tell him beforehand the greenback some time probably in the future will be much more valuable than the dollar he gets; but that is no reason why we should not give him the dollar if he wants it.

Now, Mr. President, that brings me, and very briefly, to the provisions of this bill. It will be perceived that the Committee on Finance took the House bill without alteration as far as possible. With deference to the House we made no change in the first and second sections, and if the House had not put in the third section, I for one would not have desired to change the bill as it was sent to us at all. But they presented to us this difficult question of the double and single standard, and we were forced to consider it. I betray no secret when I say that the Committee on Finance would have been glad to lay this question aside and consider it more fully; but it was presented to us in the bill, and therefore we had to deal with it, I may say forcibly, against our will. As it was before us, we could not get rid of it in any other way, and we can not now unless the Senate should see proper to strike out the third section and risk a controversy with the House, which would probably produce longer delay. Therefore we undertook to amend the third section so as to avoid the objections to it.

The first thing I wish to call the attention of the Senate to is that our amendments make no enlargement of the legal-tender quality of subsidiary coin. We have left the subsidiary coin precisely where it was under the old law, unchanged, and it is clear that it should be unchanged. To make the subsidiary coin a legal tender for \$25 would utterly destroy our customs revenue, would raise the question of the payment of the interest on the public debt in the subsidiary coin, would evidently impair the public credit, and would be wrong in every sense of the word. Besides that, it would be a departure from the example given to us by other intelligent nations that have acted upon every one of these questions.

The House of Representatives proposed a legal tender of \$25. We left it where it was, at \$5, and I have here a letter from the Secretary of the Treasury showing in the most conclusive manner the evil results that would flow from the enlargement of the legal tender of subsidiary coins and its effect on the revenue. I will not have it read, but may hand it to the reporter to be embodied in my remarks, so that Senators may have the benefit of reading it if they desire. I have already stated that, in my judgment, from fifty to sixty or seventy millions can be kept at par.

But the vital question presented by the amendments of the Committee is the restoration of the silver dollar. Why restore the silver dollar when it is now so depreciated by the events that I have named? Well, sir, the answer is that we have a large amount, some \$400,000,000 of United States notes, which now are a legal tender for all purposes, and the time has arrived when we can redeem them all with the old dollar of the United States. We do not create a dollar; we simply provide for its issue. The law was, as I have shown you, up to 1873,

that this old dollar could be tendered for the payment of all debts; but it was simply not coined because the silver dollar was worth more than the gold dollar. Does that prevent us from coining it? Not in the least. I will read you a short extract from Seyd on the very subject I am now speaking of, the importance of the American dollar in the commerce of the world; and, as he expresses it much better than I can, I think Senators will be better pleased to hear his statement:

What, indeed, could America risk in adopting silver again as a coadjutor to gold? What, considering the actual state of the question in the world, namely, that the majority of the nations adhere to the double or the silver valuation, does she not lose now in endeavoring to follow the footsteps of England? Would America do wrong in following the example of France, which maintains the five-franc silver piece? Germany is obliged to adopt the double valuation; is the example a pernicious one?

I think not; I think that America, by deciding in favor of the double valuation, would not only save the world at large from an abyss, and prevent the accomplishment of a stupid general crime, whose authors humanity would some day learn to curse, but that she would advance her own material interests more than may be supposed possible, and that she may perchance take the lead in the intelligent and prudent organization of firm monetary systems.

The state of the whole question in the United States favors the reintroduction of the silver dollar. It has not been abolished by law, consequently no legal enactment for its reestablishment and legal-tender rights is required. All that is necessary is an act of Congress fixing the weight of the silver dollar at four hundred grains (399.9) of nine hundred fine, reducing its present weight by twelve and one half grains.—Seyd's "Metallic Currency of the United States," pages 56, 57.

This is the opinion of Mr. Seyd, an English writer, who is perfectly familiar with the whole subject, and who has lived in this country the most of his life.

There was one question of detail that came before the Committee on Finance, upon which there was some difference of opinion: what should be the weight of the dollar? Should we take the gold value now of silver and make a new relative standard; or should we take the French ratio of fifteen and a half to one; or should we take the old ratio of fifteen to one; or should we take the American dollar as it has stood from the foundation of the Government to this time? It seems there was a mistake; I do not know how to explain it. The old dollar was intended to be sixteen to one; but we know very well, if our arithmetics do not deceive us, that twenty-five and eight tenth grains multiplied by sixteen will make four hundred and twelve and eight tenths; and therefore it was an error to make the old dollar weigh only four hundred and twelve and a half grains. It was not very material, because it was a very small fraction; but still the Committee thought it better to take the exact standard fixed by law, sixteen to one, and make the new silver dollar weigh exactly sixteen times the weight of one dollar of gold. The gold dollar is twenty-five and eight tenths grains, and the silver coin we have provided for is four hundred and twelve and eight tenths instead of four hundred and twelve and a half grains. I make this explanation because a New York paper says the Committee on Finance did not know what the old dollar was; that the old dollar was four hundred and twelve and a half grains, and we have made it four hundred and twelve and eight tenths, because we did not know

better. I give the editor my respects, and state that we did it for a reason. The author, Mr. Seyd, that I have read, recommends, on the contrary, that we should adopt the French standard. I am not sure but that it would be a good thing to do if we were treating the question apart from old customs and habits. If it were a new question I should say at once adopt the French standard, and make the dollar four hundred grains. That would be exactly fifteen and a half to one. But I would not do that. I would not debase the dollar below its old standard merely for the purpose of assimilating it with the metric system of the French. I think, therefore, the old dollar is the best.

It has been also proposed to make the dollar to be issued equal to two half dollars of the subsidiary coin. It would then be only three hundred eighty-five and eight tenths grains; that would be to debase the coin. If this dollar is now restored to its old standard it may come to par in gold. It has so happened in the past. Whether that be so or not, I would not force anybody to take this silver dollar who does not desire to take it. If anybody desires to surrender a note of ours past due, payable in gold, for a silver dollar, because he is tired of waiting for payment, give him the silver dollar; but I would not force him to take it, because the time will come when these notes of ours I think will be worth dollar for dollar in gold. If a man prefers to take a dollar in silver, give him the opportunity to do so.

The question is to what extent should the silver dollar be made a legal tender. The House provided that it should be for \$50. There are serious objections to making it a legal tender for that amount. I would prefer to leave it at \$10; but the House proposition made it a legal tender for customs duties and interest on the public debt. That would plainly be a bad proposition. It would drive gold out of the country. If the silver dollar now, with its depreciated value, is made a legal tender for \$50, you will have no gold whatever except in the mints and sub-treasuries of the United States. Our experience has shown that fully; and therefore the only way to maintain our silver coin at par in currency is to limit the amount by the law of demand and supply. That will at least keep United States notes and fractional currency always at par in silver, and will not prevent the notes from rising above it when the people become satisfied that we are about to redeem or are preparing to redeem them in gold. Therefore the Committee fixed on the amount of \$20 as a fair compromise. I would greatly prefer to reduce it to \$10; but I am willing to vote for \$20. It is manifest that to make it \$50 would entirely destroy our gold revenue, and probably cause the exportation of gold and reduce the volume of gold in the country.

It is objected that this measure is the entering wedge for the double standard; and very good men, specie-paying men, have made this objection, and it is therefore proper to answer it. I reply that we have always had a double standard, and generally to a greater extent than this bill allows. Until three years ago the dollar was a full legal tender. Since that time the United States have contracted no debt, and every existing debt could have been paid in dollars of that standard. Does it injure any man to restore it now and limit its legal-tender quality to \$20?

We are asked, then, why was the old dollar omitted in the act of 1873? I answer that it was omitted practically by the act of 1853 by being undervalued. It was formally omitted from the silver coinage by the act of 1873 because it was then too valuable for circulating coin, and the Spanish milled dollar was replaced with a commercial coin. Is there any reason why it should not be restored now when we can use it as an agency for the redemption of United States notes?

It is said that a silver coinage is in the interest of silver bullion and those who produce it. Certain Senators have even been designated in the House of Representatives as owners of bullion in the West; "silver-clad Senators," I believe, has been the expression. I hope it will be a benefit, not only to the producer of the silver, but to the people who use it as money. I have always supported the policy of encouraging the production of iron, wool, and fabrics. Why not also of silver? The most common and the meanest of arguments against a measure is that it will help somebody. I am quite sure that this will help the body of the people; and that is the only interest I have in it, certainly.

But, sir, the House of Representatives has also made the silver coin a tender for duties and interest on the public debt. I do not think it is necessary to waste much time about that. Our duties are by law made payable in gold and are set aside as a sacred fund to pay the interest on the public debt and to provide for a sinking fund.

The House of Representatives did not intend to interfere with our general law by which the customs duties are collected in gold to be used in redeeming our promises, the change only being paid in silver. And, sir, any intimation by Congress, any effort by Congress to impair the public debt, or to prevent its full payment in gold coin, would, in my judgment, do more harm than all the silver that can be issued under this or under any other law can do good. Anything that tends to destroy the public credit or the confidence of the creditors in our willingness and ability to pay, depreciates the value of our bonds, and brings them back to us for payment or for sale, and will prevent us from funding our debt at a lower rate of interest and availing ourselves of our present excellent credit. Therefore I hope in this debate there will be no suggestion which in the mind of the most timid man can induce a fear that we shall avail ourselves of the present circumstances to pay his bond in anything but gold coin. Therefore we except customs duties from the operation of even the limited legal-tender quality of the silver dollar here provided. The same reason applies also to the interest on the public debt, with this additional reason, that the bill as it stands now discriminates against holders of bonds in small amounts. For instance, a man owns a thousand-dollar bond; he could be paid his interest in silver dollars, for it is less than \$50 in one payment; while the capitalist abroad who collects his coupons through a bank presents them in hundreds and thousands, and must be paid in gold. I take it, therefore, and I have no doubt, that it was not the intention of the House to interfere with the law in this respect.

As to the legal-tender quality of the trade dollar, I have already pointed out the necessity of changing it or of abolishing the trade dollar



entirely. I was rather disposed for one to abolish it, because we have two dollars so nearly like each other. But as a matter of course the people who have built up a trade on the trade dollar ought not to be deprived of it, except for some good reason; and we have required, in our amendments, that the trade dollar shall be so different in its devices and emblems that it can be readily distinguished from the other dollar.

The trade dollar was only intended as a commercial dollar, as a convenient mode of coining silver bullion for the benefit of depositors. It was a legal tender to a certain extent, but it is no harm to the holders to change that; and it is entirely within our power to do so. These trade dollars are worth more in China than they are in the United States to-day; so that as a matter of course the holders will have the benefit of the China market, and, as they are worth more than the legal-tender dollar here, everybody will take the trade dollars for the other dollars. The trade dollar is worth three or four per cent. more than the silver dollar.

Mr. President, some objection might have been made to this bill if we had authorized the Secretary of the Treasury to issue bonds to buy the bullion to make these dollars, but we did not. On the contrary, we simply carry into effect the spirit of the law of 1862, which authorized the sinking fund to be used in payment of any portion of the public debt; and, to the extent that the sinking fund can be used to buy bullion and coin silver dollars with which to redeem fractional currency and redeem United States notes, it may be used. That is a wise provision at all events, because now our bonds are so exceptionally high that under the sinking-fund law the Secretary, in buying bonds, must pay eighteen per cent. premium, when there is a debt which must some time be paid in coin, which he will be at liberty under this bill to buy in silver, extinguishing it and adding it to the sinking fund.

Now, Mr. President, I am afraid I have wearied the Senate, but I have gone through this matter simply as a business matter. The exchange of silver coin for silver bullion is a profit to the Government of the United States. On the issuing of silver dollars the profit is several per cent.; on the issuing of subsidiary coin it is six per cent. more; and this profit more than pays all the expenses of the mints and saves all the expense of printing fractional currency. The actual profit under this law will carry into the Treasury a surplus over all the expenses of the mints.

There are but two things more that are needed to make this bill, in my judgment, a complete financial measure. They are, first, to authorize any holder of greenbacks to convert them at will into a United States bond. Would to God that we had the courage now, without regard to party, to do this and give to every holder of these notes of ours the right at his pleasure to convert them into a four per cent. bond running forty years! No considerable amount would be converted, in the present state of the market. Some would be. Those persons desiring a perfectly safe and long investment might convert their notes into four per cent. bonds in small sums; but as credit rises, and it is rising every day, these four per cent. bonds will advance to par in gold. What I would desire next is to authorize the Secretary of the

Treasury to convert our six per cent. bonds into four and a half per cent. thirty-year bonds. A bill has passed the Senate for that purpose, but yet sleeps in the House. Then authorize the holder of the notes to convert them at will into a four per cent. forty-year bond and there stop, and you will reach specie payments without a ripple on the current. These two bonds would approach each other in value; the notes would gradually be retired; silver would take their place—its natural place in the currency of the country. We are producing the silver, and our own products would be converted into our currency. Then our notes would gradually rise to par in gold. Then the circle of the rebellion, or the revolution, as our Southern friends may call it—I prefer to call it by the old-fashioned name—would be finished.

As soon as greenbacks were at par with gold I would keep them afloat; but that is not in this bill. I merely allude to it in passing.

There is another object that could be desired, and I think if the United States would now lead off in it, it would undoubtedly be accomplished; that is to establish by international convention a unit of money of accounts, both of gold and silver. Advances have already been made to this Government by Great Britain, and a proposition is now pending looking to that end; and there is no doubt whatever that Germany would be glad to enter into the international relation that was proposed in 1867, and which she then defeated and rejected. The difficulties and embarrassments in which Germany is now involved from the unforeseen effect of her own measures would make her eager to enter into a general monetary union or the extension of the Paris conference so as to make everywhere fifteen and a half ounces of silver equal to one of gold among all the nations of the world; to limit silver coinage to the token coinage or small change of the people, and to make gold the standard of value. By a convention between the leading nations, including Great Britain, France, Germany, Russia, and the United States, which must find the gold and silver to carry this arrangement into effect, you would have a monetary unit, and would then be free from the oscillations that we have met in our whole history, in which gold and silver disappear by turns, destroying the value of contracts and deranging monetary affairs.

Sir, I do not hope to accomplish these things now; but I see in this bill an opportunity to accomplish some good; and I believe that true statesmanship consists in doing the good you can, without seeking the unattainable, and thereby doing no good at all. Here we have an opportunity to monetize a portion of our silver product; to redeem a portion of our United States notes; to come back toward specie payments—all in the right direction. And the fact that this bill does not accomplish all I desire is no reason why I should delay, oppose, or antagonize it.

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## LEGAL TENDER OF SILVER COIN.

IN THE SENATE, JUNE 8, 1876.

THE bill to amend the laws relating to legal tender of silver coin being under consideration, Mr. Sherman said :

MR. PRESIDENT: I wish very briefly to call the attention of the Senate from all the various topics that have been discussed since this bill was introduced, to the consideration of a small measure, intended to meet a temporary necessity, and which has given rise to a very extraordinary debate.

This bill proposes to restore the old silver dollar, and with that dollar, and the subsidiary coins of the United States, to redeem the United States notes and fractional currency. The dollar to be restored is the same that had existed from 1792 to 1873 ; and the subsidiary coins to be issued are the same in form and value as have been issued since 1853. I have, in my remarks made on the 11th of April last, already given the history of these silver coins and stated the relation of silver and gold to each other, not only in the United States, but in the countries with which we have the most extensive commercial intercourse. The Senator from Nevada [Mr. Jones] has also, in more detail, and with greater fullness of illustration and authority, presented the important questions of the double standard, with the reasons why, in the United States especially, silver and gold must both be standards of value. I will not therefore repeat those arguments, but confine myself to the two main propositions contained in this bill, and then show, if I can, that it is not wise public policy to adopt the full silver standard proposed by the Senators from Nevada and Missouri, nor to go further than is proposed by the Committee on Finance.

The two main questions are :

First. Shall silver coin be exchanged for United States notes as well as for fractional currency? And,

Second. Is it wise to recoin the old silver dollar with a view to exchange it for United States notes?

The bill as reported embodies both propositions. It is purely a *voluntary* process. No one need surrender his notes for coin unless he wishes to do so. We do not take advantage of a public creditor, to force upon him silver coin, for we have given him the assurance of positive law that we will, on the 1st day of January, 1879, pay all notes or demands against the United States in coin. We cannot, or rather public sentiment will not allow us to, pay in gold coin sooner than this. By this bill we authorize the Secretary of the Treasury, to the extent of the sinking fund, to pay silver coin to the holder of our notes, in exchange for them if he demands it. In spite of all that has been said about the depreciation of silver, and of our coin being worth less than United States notes, we know there is an eager demand for silver coin. The long lines of people awaiting their turn at the doors of your custom-houses show an anxious desire to surrender your promises for bright, shining coin. The instinct of the people, more

wise than the calculations of the broker, assures them that hard money, real money, the result and the representative of labor, is more desirable than a promise to pay money, and especially a promise that may be broken, changed, evaded, or postponed.

By the law as it stands, only one kind of paper money—fractional currency—is redeemable in silver coin. United States notes, although based upon the same promise—and of the same or more intrinsic value than fractional currency because they are a legal tender for all sums—are not redeemable in silver coin. Therefore fractional currency is this day more valuable than United States notes. The first effect of the issue of silver coin is to advance the value of fractional currency. In like manner will this bill, if it passes, advance the value of United States notes. It will be resumption of specie payments in silver. It will tie our promises to pay to the solid basis of a metal which has always been a standard of value, is now, and ever will be; and which can vary only in a comparatively slight degree from the more precious metal, which is now and ever will be the highest standard of value.

Now, sir, it is admitted that we are able to pay a portion of our indebtedness. Indeed, a specific fund, termed the sinking fund, together with the accumulation of interest thereon, has, by a law of the highest sanction, been set aside, to pay, annually, one per cent. of our entire debt; and this annual sum is to be taken from our customs duties. What class of our debt ought to be annually paid is purely a question of public policy and interest. We have heretofore applied the sinking fund to the reduction of our bonded debt; but this debt is now so valuable that it is worth eighteen per cent. more than United States notes and five per cent. more than gold. It is therefore manifestly our interest to apply this fund to the payment of United States notes, and this we can now do, not only with the assent but upon the demands of the holders of these notes. Why upon this demand? I answer, upon what ground of honor or interest can we refuse to pay notes now due, while we are using large sums to pay bonds not due? They pay a large premium for our bonds, which are worth more than gold, while we refuse to pay our notes now due, and which are daily quoted at a depreciation of twelve to fourteen per cent. Whatever other reasons are given for this anomaly, we can not pretend that we are not able to pay these notes, while we are paying out thirty millions a year in gold to buy bonds not yet due.

Nor can we refuse to pay silver coin for our notes on the ground that silver is depreciated as compared with gold. That is a question for every holder of our notes to determine for himself. When he demands silver, it is idle, yes, dishonorable, to say: "O, we will not pay you silver, because it is not worth as much as our notes. Wait until 1879 and we will then pay you gold." Every market-woman in the land knows that the reason for your refusal is false. She may well say she will not trust in your promise to pay gold three years hence if you will not pay silver now when you can. All objections to this bill, based upon the pretension that payment in silver is unjust to the note-holder, are the merest sham, unless you are now prepared to pay him in gold. *He* is the best judge of what he will take in payment,

and he wants and demands the *silver now*. And this is a sufficient answer to all arguments about the note-holder. When you redeem the note you can do with it what you please. You may burn it, or replace it, or reissue it, or whatever else you have the power to do with it. But the man who holds it now has your promise to pay; and if you refuse to pay him gold it is for him to say whether or no he will take silver. Will you give him the option? If this question were to be decided by considerations of public honor or public faith, no one could doubt what the decision would be. But I propose now to discuss it upon the basis of interest, upon the narrowest basis of commercial traffic; and by this sordid view, as well as by the more exalted one of public honor and public faith, it is manifest that it is for the interest of the United States now to redeem with silver coin such portion of the notes of the United States as the holders thereof may choose to exchange for them.

And, first, it is the cheapest mode in which we can pay our notes. One dollar of the subsidiary silver coin of the United States contains 385.8 grains of standard silver, worth to-day about eighty-four cents in gold, or ninety-five cents in United States notes. It needs no logic to show that the Government makes money by the exchange of this dollar for a United States note. And yet no injury is done to the holder, for the exclusive power of the United States to coin money has imparted to the silver in the coined dollar additional value, which makes the holder eager to accept it for his promise-dollar. The market value of the silver in the dollar provided for in this bill is now not only equal to that of the United States note, but it is of intrinsic value; and, even though the note may rise in value, the silver dollar will keep pace with it. The Government pays its debt, and yet replaces its note with a real dollar, which takes the place in circulation of the paper dollar, and does not have to be paid when resumption comes.

Not only is payment in silver coin the cheapest mode of redeeming our notes, but it strengthens us for full resumption in gold. It not only lessens the amount of notes to be maintained at par with gold, but it scatters among the people a large amount of silver coin, which, without reserve or aid from the Government, will, from its intrinsic value, maintain itself at par with gold. And this quality of silver coin does not depend upon its being a legal tender, but upon its intrinsic value, and its indispensable use among all classes of people for change, and for the payment of labor and the purchase of family supplies. As I showed the other day, not less than \$2.50 per inhabitant, of silver coin of less intrinsic value than ours, is maintained at par with gold by Great Britain, France, and Germany. The United States, before the war, maintained at par with gold more than fifty millions of the very silver coin this bill provides for. No one inquired how much this coin cost the United States, but they knew it passed everywhere, and was as good anywhere as gold coin. So now, with our increased population and business, it is manifest that seventy-five millions or more of this coin can be maintained at par with gold after we shall have reached the full gold standard; and this amount is about as much as can be issued under this bill. The obvious effect of substituting silver for

paper money will be to appreciate the purchasing power of the remaining mass of paper money. Who does not see that the reduction of the aggregate of paper money to three hundred millions strengthens us for the duty of maintaining it at par with gold?

Sir, silver resumption is better now than gold resumption; for silver money will now circulate with paper money, while gold will not. Silver money, in intrinsic value, is so near paper money that it will freely circulate, while gold would at once be hoarded. Even if silver money were of the same intrinsic value as gold, it ought to be put freely into circulation before gold. It must always be the specie of the people, which gold is not. Silver resumption must precede gold resumption. We now but avail ourselves of the present depreciation of silver bullion to prepare the way for gold resumption. It appears almost as a providential dispensation to enable us to follow the path of safety and honor. If we do not avail ourselves of this opportunity, we shall be blind to every instinct of a statesman and a patriot.

Again, sir, there is a popular instinct which we may call the "instinct of hoarding," which impels the provident classes of every nation and tribe of men to hoard the precious metals as the safest form of wealth, either to gratify avarice or to prepare for immediate or approaching wants. This instinct is as well gratified by hoarding silver as gold. For this reason, and for this reason mainly, a larger amount of silver coin will be hoarded than of fractional currency. The currency is perishable; it is subject to loss by fire and water. But silver coin can neither be burned by fire nor perish by water, and the common instinct of humanity will cause it to be held, while the fractional currency will be paid out. The silver is the people's resource, and will be paid out and circulated when the necessity for it arises. For these reasons we must provide for a much larger amount of this coin than experience has proved to be sufficient for fractional currency.

Again, sir, this bill will relieve us from the possibility of a dearth of change, by authorizing the exchange of silver coin for United States notes. It is manifest that, by limiting this exchange to fractional currency, we have given an artificial value to such currency. The hoarding of this currency for the purpose of obtaining silver coin may create a serious want of small change. It is this anticipated scarcity that the House of Representatives has attempted to guard against by a bill now pending in that body. This difficulty is at once obviated in the present bill, by placing both notes and currency on an equal footing with silver coin, and thus lifting all gradually to the gold standard. The object of the law now in force is to put silver coin in circulation as a substitute for fractional currency. If, however, the coin can be exchanged directly for the fractional currency only, one or the other species of change will be demonetized or held for a premium during the process; but if silver coin can be had at will for either greenbacks or fractional currency, the purpose of the law can easily be effected. Things that are equal to the same thing are equal to each other. The difficulty of a direct exchange of commodities first caused the use of money. While we have paper money we can only circulate that of the lowest market

value. Even a temporary demand for fractional currency causes it to be hoarded. Brokers all over the country are offering a premium for fractional currency, in order to obtain silver coin. Even in this city, where fractional currency was most abundant, it is advertised for at a premium. Besides, we must provide more silver money than we now have fractional currency, for the reasons already stated, and we must therefore exchange it for United States notes as well as for such currency.

And, sir, the substitution of silver coin for United States notes meets and allays the fear of "contraction" that has been the direful cause of our long delay in approaching the specie standard. Reason about it as you will, you can not persuade the people long to endure the process of contraction, even to secure the acknowledged good of a specie standard. How often do we hear people say they desire specie payments, but not through contraction! They wish to get well, but do not like the medicine offered. They are in favor of the Maine liquor law, but are opposed to its execution. They want to get well by natural processes. Well, now, the silver opportunity offers; silver can be substituted for paper without contraction. Both will circulate together, because their market value is near each other; and we have the silver bullion and the sinking fund, amply sufficient to sustain the process of exchange. By providing a market for silver we advance a domestic product, and by reducing the amount of paper money we approach and prepare for full resumption. The silver will circulate equally with the paper. To the extent that it is hoarded or exported there may be some contraction; but it will not be hoarded or exported largely when issued in sufficient quantities to meet the demand for it, and this bill provides for either hoarding or exporting, by authorizing the issue of silver coin in exchange for silver bullion. If, then, there is a demand for silver coin greater than can be met by the surplus fund at our disposal, it can be had for the silver bullion of private persons, which can be promptly converted into coin.

The bill reported by the Committee on Finance thus provides for an immediate resumption of specie payments in silver coin, and thus completes the first and most difficult step of the problem. It neither disturbs nor deranges business, nor stirs up the phantom of contraction. It is in exact accordance with existing law, and leaves the silver coin, as now, a subsidiary coin, a legal tender only in limited amounts.

The next question presented by this bill is, shall we restore to our silver coinage the old silver dollar? And here I am met by the objections of the Senator from Vermont; but his objections are rather to the amendments proposed by the Senator from Missouri than to the report of the Committee. The Committee propose the silver dollar, not as a legal tender for gold contracts, but only as a tender for currency contracts not exceeding twenty dollars in any one payment. I would prefer to leave the silver dollar to stand upon its intrinsic value as a legal tender, the same as the smaller coin. But there is no injustice in enlarging the limit to twenty dollars, and, but for the reasons I will state hereafter, there is no injustice in making it a legal tender for all currency contracts. The silver dollar has that intrinsic value which, in

all periods of our history, has made it a favorite coin, not only for domestic uses but for exportation. It furnishes silver bullion in a shape and form more convenient for handling than any other form of coin. I fell into a common error in the debate, a few days since, in saying that this dollar had not been issued since 1853. Official reports show that it was issued in considerable quantities until it was demonetized by the coinage act of 1873. From 1870 to 1873 there was issued in silver dollars, by the United States, \$3,336,348, at par with gold, and at a time when specie payments were suspended and silver circulated only in the Pacific States and Territories; and, since the trade dollar was substituted for the old silver dollar, there had been issued up to April 30, 1876, of trade dollars, the large sum of \$14,912,350. These are mainly for export, but many were and are held for circulation in this country. When the old silver dollars are issued at par with United States notes, a large amount of them will be taken as a reserve by the people, to meet future needs, with or without a legal-tender quality. As their issue is not peremptory, and the aggregate amount can not exceed the surplus revenue or sinking fund, there is no danger of an over-issue, while their existence among the people will constitute the best reserve when gold alone becomes the full standard of value.

Every argument already mentioned in favor of subsidiary silver coin is equally potent in favor of the silver dollar. It will be eagerly taken in payment of United States notes. It is purely a voluntary exchange. It is the cheapest mode in which we can redeem these notes. It is specie resumption in the old, time-honored standard of silver dollars of full weight and fineness. It will accustom our people to distinguish between the real dollar that pays where it goes and a paper dollar which only promises to pay. It will prepare the way for full resumption in gold. To the extent proposed by the Committee, and to be used as a purely voluntary approach to a full specie standard, it is open to no objection or criticism, and should be assented to by gentlemen who have differed with each other on the present resumption law, or on the merits and dangers of contraction and expansion. Why is it, therefore, that we can not pass this bill without introducing controverted propositions, which, if they do nothing else, will delay and endanger the measure? This bill, as reported, would by this time have become the law of the land, but for these amendments; and as we can not act upon the amendments without a long debate—now a sufficient cause to defeat almost any bill—it is in the power of any Senator, under our rules, to defeat this desired legislation by urging controverted amendments. It is sufficient now to justify voting against these amendments to say that they endanger, even by delay, the passage of the bill.

I must appeal to the good sense of the Senators from Missouri and Nevada not to embarrass this bill, the purpose of which they approve, by urging amendments that raise new and antagonistic difficulties likely to defeat its passage, or which, if adopted, will demonetize gold, not only in private transactions, but in the payment of customs duties and the public debt. They present the most difficult problem of political economy and raise the most delicate questions affecting the public credit, and at a time, too, when, above all others, we ought not to at-



tempt to decide them. At this time, when we can not pay our debt in gold or silver, and when the relations between gold and silver are unnaturally affected by the recent movements in Europe, and when it is impossible to fix their precise relations to each other, it is exceedingly inopportune to consider or decide any radical changes in the existing law. Ever since 1853 silver coin has been practically a legal tender in payments amounting to five dollars only, and yet it has been maintained, in very large sums, at par with gold. Why disturb this law? Ever since the present debt of the United States was contracted, we have scrupulously paid its interest in gold coin. To enable us to do so, we have collected our revenues in gold coin, and we have ample means to continue to so pay the interest. To now claim, on any pretense whatever, the right and propriety of paying this interest in silver coin, when the whole amount of silver coin that could be issued in three years would not be sufficient to pay the interest for a single year, would create a revolution in our public credit, without any benefit whatever. The serious effect of such a proposition upon our national character or credit can not be measured in dollars and cents.

Again, sir, if you undertake to pay your interest with silver coin, you must pay the whole of it with such coin. You can not discriminate. You can not pay the large holders of your securities with gold and the small holders with silver. The great body of your interest is paid to banks and bankers, even when the bonds are the property of private individuals. You have gold to pay with, but you have no coined silver, and can not have enough in three years; and the same objection applies to customs duties. For small sums, and as change, the duties may be received in silver; but the supply of such coin is not, and can not be, sufficient for some years to come, to pay the duties collected. The ultimate effect of such a proposition would be to give an artificial value to silver bullion and silver coin with which to pay duties; while its immediate effect will be to demonetize both gold and silver coin, and to segregate it from our current money, as gold is now segregated for the purpose of paying duties. It is manifest, therefore, that if we mean to collect our customs duties and pay our interest in silver coin, we must postpone the operation of such a law until we have such coin in quantities sufficient to conduct the business, and by no possibility could this be done in less than four years. The amendment, then, as it is proposed, would have no effect whatever, except to take from the people the silver coin they now have and hope to receive, and to cause it to be held like gold in New York, to pay duties. The Government would not and could not pay it out for fractional currency and United States notes, when it would be at once bought up by brokers for its peculiar property in paying customs duties. This objection is clearly fatal, for years at least, to the amendment proposed by the Senator from Missouri; but there are other reasons why such a proposition ought not to be entertained.

The public debt was contracted, and the interest to be paid was agreed upon, with the universal understanding that the coin stipulated for was gold coin. At that time all the silver in circulation was limited in its legal-tender quality to five dollars in any one payment. And

although, by the act of 1853, the old silver dollar was not demonetized in terms, it was not issued, and no human being then contemplated the payment of principal or interest of the debt in silver coin. In fact, during the whole period, from the contraction of the debt up to and after the year 1873, when the silver dollar was demonetized, it was worth more than the gold dollar. No one then foresaw or had reason to believe that it would become less valuable than gold. Its great depreciation grows mainly, if not exclusively, out of the action of foreign governments in dealing with their coin. To now make the silver dollar a legal tender in payment of the interest of our debt would not only be impracticable, as I have already shown, but it would be universally regarded as a violation of good faith, and would destroy the confidence with which the commercial world now regarded our public securities. The silver dollar was, it is true, a legal tender until 1873, and, in strict law, might be restored to its former position as a standard of value, without a violation of the legal contract between the United States and the bond-holder. But, sir, the evil effect of such a measure upon the value of our public securities would far outweigh any advantage to be gained by the difference between the payment of the interest on our public debt for two or three years in silver rather than in gold. For over forty years, since 1834, the silver dollar, though in law a money of account, was, in fact, demonetized, because it was more valuable than the gold dollar. It was for this reason alone that the silver dollar was dropped from our coinage system. This is clearly stated in a report to the Senate by Mr. Knox, Comptroller of the Currency, dated April 25, 1870.

I read from his report as follows:

The coinage of the silver dollar piece, the history of which is here given, is discontinued in the proposed bill. It is by law the dollar unit, and, assuming the value of gold to be fifteen and one half times that of silver, being about the mean ratio for the past six years, is worth in gold a premium of about three per cent. (its value being \$1.0312), and intrinsically more than seven per cent. premium in our other silver coins, its value thus being \$1.0742. The present laws consequently authorize both a gold-dollar unit and a silver-dollar unit, differing from each other in intrinsic value. The present gold dollar piece is made the dollar unit in the proposed bill, and the silver dollar piece is discontinued. If, however, such a coin is authorized, it should be issued only as a *commercial dollar*, not as a standard unit of account, and of the exact value of the Mexican dollar,\* which is the favorite for circulation in China and Japan and other Oriental countries.

This report was the beginning of the voluminous documents which led to the revision of the mint laws of 1873. The proposed act was subjected to the greatest scrutiny. I have here a document of one hundred pages, containing suggestions and criticisms of experts, several of whom suggest a substitution of the Mexican pillar dollar, or a trade dollar, for the old dollar, and one of whom only, Mr. Patterson, of Philadelphia, objected to demonetizing the silver dollar, and this for the reason that, though "too valuable to be used as a circulating medi-

\* Assuming the value of gold to be fifteen and one half times that of silver, the French five-franc piece is worth about ninety-six and one half centés (96.4784), the standard Mexican dollar \$1.0490 our silver dollar piece \$1.0312, and two of our half-dollar pieces ninety-six cents.

um, yet it could be used for cabinets, or perhaps to supply some occasional or local demand." (Executive Document No. 307, page 38.) No one was then wise enough to foresee or suggest that the time would soon come when the old silver dollar would be less valuable than gold.

The great revolution in the precious metals has occurred since; and now the practical question is, Shall we avail ourselves of the extraordinary fall in silver to make the old silver dollar a full legal tender, and thus reduce the market value of our bonds, which we are not bound to pay, which are not due, and which we have not the ability to pay; or shall we improve the opportunity now offered us by an unforeseen event, to redeem our depreciated notes without loss, and with the free and voluntary consent of the holders of them? Sir, this is the choice presented to us. I say that not only public honor, but, public policy, our interest, in the narrowest as well as in the broadest sense of that word, points to the redemption of the United States notes.

To the extent that any of our creditors choose to take our silver coin, we are at liberty to offer it; but a compulsory payment in silver coin is a very different proposition. Any attempt to enforce such payment would fail. We have not, and can not have, the silver coin to make it. The attempt would only bring upon us the discarded silver coin of other countries, to be received with a view to pay it to the United States in liquidation of customs duties, thus reducing the real value of our customs revenue. Gold, being rejected by us, would be at once demonetized, and the silver standard would alone prevail. I therefore reject as inadmissible the amendment proposed, to make silver coin a legal tender for customs duties or for interest on the public debt, and regret exceedingly that it has been offered.

As to making the silver dollar a full legal tender for contracts between private individuals, very different considerations arise. All debts contracted prior to 1873 are payable, by the law then in force, either in gold or silver dollars, or in United States notes. If contracts were specifically payable in gold coin, they can be enforced in coin, whatever the legal tender may now be. The terms of the contract between individuals must be the law between the parties, and the general law only applies to contracts when the specific medium of payment is not stipulated for. If a contract made before 1873 was stipulated to be paid in coin, it may undoubtedly be paid in either silver or gold coin. At that time, and for near forty years previously, payment would not be tendered in silver dollars because silver dollars were worth more in the market than gold; but the legal option to tender silver coin existed until 1873, and until the revised code was adopted, which excluded the old dollar from among the silver coins of the United States.

It is thus apparent that all contracts payable in coin, made prior to 1873, are *impliedly* payable in gold coin, and that all coin contracts made since 1873 are *legally* payable in gold coin only. I am not aware that any considerable number of such contracts exists, but when they do exist they should be governed by the precise law in force when made. The contracts now existing in this country are mainly either currency contracts or those made specifically payable in gold coin. The latter

can not and ought not to be changed by law. Those payable in coin should be payable in such coin as was a legal tender when the contract was made, and ought not to be affected by subsequent law. Such contracts should be left to the agreement of the parties or the action of the courts. Our laws ought to have effect upon the future only, and not upon the past. Congress can coin money and regulate the value thereof, but this great power should not be made the pretext for impairing the obligation of existing contracts. It is no answer to say that this was done when our present legal-tender act was passed. The condition of the country then authorized, yea, demanded, the most extreme measures, even to the confiscation of debts and property, in the form of taxes. We know with what doubt and hesitation, and under what circumstances, the Supreme Court finally sanctioned the constitutionality of the legal-tender act, as it affected preëxisting contracts. No one believes it would sustain the exercise of such a power except as a measure of war, over which Congress is invested by the Constitution with extraordinary powers. As one of those who, in this Senate, asserted and voted for the legal-tender act, I now say that I did it only under the shadow of a supreme necessity, involving the national life; and that it ought not to be made the precedent for a retroactive legal-tender law, passed in a time of profound peace, to change or affect existing contracts. Our power should deal with the future; and in passing laws for future contracts, we are not embarrassed by questions of public faith or private obligations, but by those of public policy.

Is it wise, then, at this time, as a question of public policy, to attempt by law to fix the precise relation of gold and silver to each other, and to make both metals a legal tender for all sums? Or will it be better to adhere for the present to the policy of a gold unit, with subsidiary silver coins, limited in amount of issue, or in its legal-tender quality, or in both?

These two opposing policies have been debated here, but far more extensively in every European country, and especially in the writings of political economists. But, wherever debated, the action of modern governments has, in all the great commercial nations, settled down upon a composite policy—a coinage consisting of gold, as a unit, with silver coins of somewhat less intrinsic value than gold, but kept at par with gold, by a limit of the amount issued, or a limit of its legal-tender quality, or by both. This policy was adopted by Great Britain in 1815, by the United States in 1853, by the Latin nations in 1865, and by Germany in 1873. Such policy is neither monometallic nor bimetallic. The former demands a single standard of gold, and demonetizes silver; the latter makes both metals a legal tender for all sums. The objection to the monometallic system is that it adds enormously to the value of gold, by making it alone the metal in which all debts must be paid. The objection to the bimetallic system is that, from the nature of things, it is impossible to fix the true relation of silver and gold to each other, and that, whenever either metal advances in value, however slightly, such metal becomes demonetized, and flees the country. These primary reasons have led to the composite system, which combines the two metals—gold for large transactions and silver for small—the silver

purposely reduced in value, but kept at par with gold by limiting its amount, or otherwise.

Now, sir, it is perfectly obvious that, if we could in some way prevent gold and silver from fluctuating in value in their relations to each other, the double standard is the best, as giving the largest store of the precious metals to draw upon; and it is now proposed, by international treaties, to agree upon the relative value of these metals. In the absence of such treaties, it is far wiser for us to stand by the composite system, in force in the United States since 1853; and such is the basis of the report of the Committee on Finance. We propose to retain, as now, the ultimate unit of gold, in connection with a subsidiary silver coinage, including the silver dollar; to limit the legal-tender quality of such subsidiary coinage; and to provide that the amount to be issued shall not exceed that of the sinking fund. The amendments offered propose the adoption of the bimetallic system, with all its uncertainties, at a time when it has been rejected, or is being rejected, by all commercial nations; and especially at a time when the difference between silver and gold is greater than it has been for two hundred years. The quantity of silver required under the propositions of the Committee will be amply supplied through our domestic production and the sinking fund; while the amendments offered will bring to us for a market the rejected silver of Germany and Europe, and will demonetize gold, not only between individuals, but in payments made to the custom-house and to the public creditors.

The time for this proposed radical change in our coinage is a truly unfortunate one. The margin between gold and silver is now about ten per cent. greater than the rate of 16 to 1 fixed by law. Nothing is clearer than that, under the bimetallic system, the legal relation between the two metals should be as nearly as practicable the market relation. This is the theory of the system. The first step, therefore, in adopting the new system should be to fix the legal relation of silver to gold at  $17\frac{1}{2}$  to 1. But this step would defeat the primary object of making the present depreciation of silver the means of a voluntary resumption of the specie standard. By the composite system this object can be easily accomplished, and may be heartily accepted by all classes, without contraction or expansion of our currency.

Sir, without going further into this argument, already too greatly protracted, I appeal to Senators charged with high duties at a critical period of our financial history, not to press upon us extreme opinions, but to hold fast to the progress we have made, and let us seize the opportunity offered us to make easy and straight the path now opened for a specie standard, when gold and silver and notes—all alike of equal value—will circulate side by side, and revive again the flagging industry and enterprise of our people. To the one side I say that, if this bill does not give you all the silver you want, it will in three years' time give you all that will circulate at par with gold. To the other side I say that, if this bill does not assure resumption in gold, it does provide for resumption in silver, which the present law does not, and that it moreover prepares the way for resumption in gold by laying a foundation of silver coin, without which gold coin will never circulate, and

never has circulated, in any country of the world. Let us lay the foundation first, and the superstructure will come in due time. Both metals are indispensable, but silver first. It is the granite rock of the money superstructure. Let us lay well this foundation, and in due time the golden dome will crown our work, and United States notes, redeemable in gold and silver at the choice and demand of the holder, will be the winged Mercury to do the business, and promote the exchange of the products of human industry. Though the work is a great one, and the difficulties in the way greater than Bunyan's pilgrim encountered, I will not surrender my hope to see it accomplished.

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## DANGERS OF THE RESTORATION OF THE DEMOCRATIC PARTY TO POWER.

*AT MARIETTA, OHIO, AUGUST 12, 1876.*

FELLOW CITIZENS: We are engaged in a political canvass that will determine not only who shall be President of the United States for the next four years, but the policy and principles that will guide his administration. The contest will affect in a greater or less degree every citizen of the United States. The choice is between the Republican and the Democratic parties. The real question is, Shall the Democratic party be restored to power again, not with new principles and leaders, but the Democratic party composed of the same elements as before the war? Sixteen years have passed away, and yet that party, in soul, purpose, and policy, is the same as when at the close of Buchanan's term it left the country crumbling into anarchy—a part warring against it, and a part voting against it, and both factions teaching that it was a mere confederation of States, too weak to enforce its own laws, without power to protect its life, and subject to the veto of any State that chose to withdraw from its power.

Its only hope for success now, as then, is in a united South combined with factional and discordant elements in the North, including the war-rioters of New York, the Sons of Liberty of Indiana, and the thousands of men who follow its name without reason or principle. It is a union of the men in the North who, in 1864, declared the war a failure, and the rebels in the South who were then fighting to destroy the Union. The South is to bring to the alliance increased political power. Formerly its slaves were counted at three fifths of their number; now, as freemen, they are counted as other citizens; but, unlike other citizens, though invested by the Constitution with the rights of freemen, they are to be overawed and held down by violence and murder, and their political power is to be wielded against their known will. In the North the disloyal elements are to be reënfined by malcontents, produced by the inevitable discontents of political strife. Men disap-

pointed in aspirations for office or ambition, or who exaggerate the faults and failings of a Republican administration, will unite with the Democratic party, and thus endanger all that we have won in our long struggle for national liberty and unity. I do not underrate the severity of the contest before us, but I come to you fully impressed with its dangers and invoke you to consider them.

What will be the result of the restoration of the Democratic party to power? The first result will be a severe check to the growth of Union sentiment—love of the Union. Since the Republican party came into power our country has made great advances in strength and unity as a nation. It was the fierce, patriotic fervor of the people of the Northern States, the love of the Union, the love of country, that, organized under the name of the Republican party, overcame in war and at the ballot-box the Democratic party and secured us union, liberty, and country. But for this the Democratic party would have completed its work; it would have divided our country into two confederacies, and planted the seeds of further division and anarchy. We would have had no broad country to love. Millions of men, women, and children would still be bought and sold as slaves. Our rivers and mountains and plains would have been divided by hostile lines. Hundreds of thousands of brave men gave their lives to defeat this policy; and, thank God, the Democratic party, North and South, both on the field of battle and at the ballot-box, was defeated, and as a result our country is one and indivisible. The Mississippi flows through its whole course, from its remotest source to the Gulf, under the flag of one country, and that our own. Thirty-eight States and eight Territories are united in one nation, and its authority to make and enforce the laws can no longer be denied. And now the very men who fought and voted to break up this Union, under the same name and organization, still calling itself Democratic, appeal to your generosity to intrust to them all the great powers of the Government. They ask to administer its laws, control its revenues, and mold its policy at home and abroad. Both of their candidates, though living in the North, opposed every measure of the war, all the movements to organize the army that beat down the rebellion, and all the safeguards adopted to secure the results of our victory. The men they would bring into the chief places of the Government are those who led the rebel armies or who frowned and complained in the North. The same States that passed and supported ordinances of secession are the main strength of this coalition.

If they succeed they will have accomplished by a restoration what they sought to accomplish by a revolution. How will it read in history if it is recorded that the American people took up arms and overcame the Democratic party in order to save their Union, and when it was saved restored the same party and the same men to power again? Even the spectacle of such a contest is a reproach to our patriotism and civilization. Its success would have only one parallel in history, the restoration of Charles the Second in England after the people of England had beheaded his father and won their liberties under Cromwell. The people of England could get rid of their restoration only by another revolution; and we, by following their example, will involve our coun-

try in a struggle as dangerous as the reigns of Charles the Second and James the Second were to the people of England. When the rebels begin to make laws for us we shall learn how dangerous it is to intrust our Union, our institutions, the liberty now enjoyed by all, to the custody and care of the very men who waged war against the Union, who sought to overthrow our institutions, and who held in slavery four millions of our countrymen made free by our policy.

But it may be said that these rebels are not the Democratic party, and it is the Democratic party that seeks to be restored to power. The answer is that they would be the controlling element of the Democratic party—the majority of it—who would furnish the majority of the electoral votes for its success. Who controlled the Democratic party before the war? The very men who control it now. Why was it that tens of thousands of Northern Democrats swelled the ranks of the Republican party in 1860? Because they would not submit to the domination of the same elements that control that party now. But who in the North will be their allies in this contest? Who are Tilden and Hendricks, and whom do they represent? The very men who held us in check and prolonged the war. The men who doubted, hesitated, wavered, and finally proposed to surrender in 1864, when our national life hung suspended by a thread.

But it is said there are brave men, patriotic men, and Union soldiers in the Democratic party. So there are; and to them I would appeal; to their memory of our danger and victory. How few are they in number; how feeble in influence in the Democratic party compared to the number and influence of those who during the war were open enemies or left-handed friends! Where is their place on the National Democratic ticket? What voice of inspiration comes to them from Tilden or Hendricks? Do they tell us that the Democratic party has reformed or repents? Where is the evidence of it? What principle does the Democratic party advocate now that it did not then? What has it done since 1860 to inspire confidence? We shall see after a while. No, fellow citizens, we have the self-same enemy to encounter, the same in heart, in purpose, and in principle, under the same name and organization, but they have dropped the rebel gray and assumed the Union blue.

As a foretaste of what is meant by a Democratic restoration, we have now a Democratic House of Representatives, where sixty men who served in the rebel army or rebel Congress are making laws for you. They are arraigning General Grant and other conspicuous leaders of the Union army. They have turned out Union soldiers who bear honorable wounds from petty offices to make room for rebel officers. They have passed a bill to make Confederate officers eligible for service in the army of the United States. The whole tone, conduct, and policy of these men are the same as when I was a member of the House sixteen years ago. They talk about the "revolution," but neither acknowledge its results nor respect the great changes in the Constitution which we hoped had been secured by the war. Let us see what will be the result if their power in the House is extended to the Senate and the Presidential office. When the war closed, innumer-



able claims against the United States were made from the lately rebel States, and Congress in the most liberal spirit made provision for the payment of all that by the well-settled rules of civilized war could be properly made against the United States. The officers of the Departments, the Supreme Court, the Court of Claims, and the Southern Claims Commission were authorized to adjust and pay different classes of claims, and Congress passed many acts for equitable relief; so that it may with safety be said that more than \$100,000,000 was paid after the war was over to citizens of the South for losses caused by the rebellion. But this extreme liberality only gave impetus to the presentation of claims against the United States which if allowed would double the national debt. These claims now endanger our whole financial system. I have here in my hand a list of one hundred and forty separate claims now pending in the Democratic House of Representatives, amounting to \$1,582,269, every one of which is for injuries caused by our army in rebel States during the war. Here is another bill introduced in the Senate by Mr. Merrimon, of North Carolina, to revive the claims which existed in the South prior to April 13, 1861, in favor of persons "who promoted, encouraged, or in any manner sustained the late rebellion." These include postmasters, custom-house officers, and other agents of the Government, who at the beginning of the war paid over to the Confederate States the balances due from them to the United States.

At the close of the war, when every industry, employment, trade, and production of the loyal States was heavily taxed to meet the enormous cost of the war, Congress placed upon cotton a tax of three cents a pound. This produced from 1863 to 1868 the sum of \$68,072,088, and was then repealed. It was substantially the only war tax paid by the South, when the aggregate taxes collected in the loyal States was still \$400,000,000 a year. This tax was charged by the producer to the consumer when the cotton was sold, and was scarcely felt by the planter who raised the cotton. And yet every year since there has been a persistent demand for the refunding of this cotton tax, not to the men who paid it, but to the States in which it was paid; and as sure as fate this tax will be refunded by the first Congress after the Democratic party is restored to power. As our troops penetrated into the South, cotton was seized on behalf of the United States as the property of the enemy and much of it as the property of the Confederate States, and the proceeds were covered into the Treasury. Over \$21,000,000 was thus covered into the Treasury, and of this fund the sum of \$11,348,247 has been awarded and paid by the Court of Claims to every claimant who had either legal or equitable title to the cotton, and the remainder is now eagerly demanded by those who were open rebels, but who now, as leading Democrats, hope to reclaim what they lost by the war. I have in my hand fifteen different bills, now pending in the Democratic House of Representatives, to refund this cotton tax and the proceeds of captured and abandoned property, and to make easy this wholesale raid on the Treasury of the United States.

And, fellow citizens, I have here bills pending in that Democratic House more wide-reaching still. Here is a bill introduced by Mr.

Wilshire, of Arkansas, now pending before the Committee on War Claims in the House of Representatives. This bill provides:

That all citizens of the United States having claims against the United States for stores or supplies taken or furnished during the rebellion for the use of the army of the United States, including the use and loss of vessels or boats while employed in the military service of the United States, may institute suit against the United States for the adjustment and recovery of such claims in the District Court of the United States for the district in which such stores or supplies may have been taken or furnished, or such vessels or boats may have been used or lost.

Reflect a moment. All citizens of the United States, rebels as well as loyal citizens, having claims for stores or supplies taken or furnished during the rebellion for the use of the army, including the use and loss of boats, may sue the United States, and recover the value thereof. The loyal people must pay all the war taxes, submit to the loss inflicted by rebel raiders, and then pay for all the forage taken by our troops when within the rebel lines, for all the rails burned, all the corn, sweet potatoes, and turkeys consumed. Who that reflects upon the supplies consumed by an army in an enemy's country during a four years' war will not shrink from such a claim—a claim that could be paid only by an acknowledgment that the war on our part was unjust?

But, fellow citizens, to complete our liability, I have here another bill introduced by Mr. Riddle, of Tennessee, and now pending before the Judiciary Committee of the House, which, as it contains but a single section, I will read in full, title and all:

Mr. Riddle, on leave, introduced the following bill:

A bill directing compensation to be allowed for the use and occupation of property by the United States army during the late war.

*Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,* That the Secretary of War be, and he is hereby authorized to allow reasonable compensation to all citizens of the United States for the use and occupation of their property by the United States army, or any part thereof, during the late civil war, in the same manner and under the same regulations as compensation is now allowed for quartermaster stores used by said army: *Provided, however,* That the affidavit of the claimant, supported by the competent testimony of any reputable citizen, shall be sufficient proof to establish the fact of the use and occupation of such property by said army. But it is not the intention of this act to limit the parties to the amount of proof herein specified; but other and additional testimony may be taken to establish the fact of the use and occupation and the rental value of the property occupied.

Now, this bill directs the Secretary of War to allow and pay to all citizens of the United States, rebel as well as loyal, a reasonable compensation for the use of their property by the United States army or any part thereof during the late civil war. Every camping-ground; every field of battle; every march or retreat; every tree cut down; every grain-field injured by any officer or soldier in our army—for each and all of those are a part of the army—must be paid for at a reasonable rate. Suppose a rebel Secretary of War, such as Tilden would naturally select, should be armed with this authority, what countless claims would be fastened upon the Treasury! An intelligent writer has estimated the amount covered by these two bills at \$2,410,000,000. Whether this be exaggerated or not, it is apparent that under such

legislation the Treasury would be utterly bankrupt. We know from the experience of the Southern Claims Commission the tendency to swell such claims by perjury and fraud. The number of claims decided by that commission was 9,222. The amount claimed was \$19,263,437.51; the amount allowed was \$3,057,894.09; the amount disallowed was \$16,205,542, and we now have proof that some of the claims allowed were fraudulent and grossly exaggerated. How will it be when all the guards thrown about this tribunal and other officers and courts authorized to pass upon claims shall be broken down and they are filled by men in sympathy with the rebellion? But you may say there is no danger of the passage of these bills. I beg you not to be deceived. A Democratic Congress and President would in all probability pass many of them, and extend widely and dangerously the jurisdiction of all the courts and all the officers who pass upon Southern claims. They would in my judgment refund the whole cotton tax. They would extend to rebels the right now confined to loyal people to recover compensation for provisions and quartermasters' stores. No one can measure the multitude and magnitude of such claims.

Remember, fellow citizens, that the late slave States have now 106 members of the House of Representatives. The Northern States have but 186 members. Every member from the South would be impelled by the demand of his constituents to go to the utmost verge in reimbursing their losses from the Treasury of the United States, although they brought these losses on themselves by their rebellion, as well as inflicted upon us the loss of 300,000 lives and many thousands of millions of dollars. It requires only 41 Democratic votes from the North by men who will be bound by party ties and influenced by party caucuses to saddle upon the North the very damages we were compelled to inflict upon open enemies who for four years waged an unrelenting war against the national life. I could show you many votes where the Democratic members and Senators almost in a body voted for the very principles involved in these bills, and in some cases where bills equally dangerous in principle were saved from passage only by the veto of President Grant. I warn you, with all the sincerity of truth and honest conviction, against this palpable danger that will come from the restoration of the Democratic party to power. The Republican party and General Grant especially have guarded you thus far. We secured a constitutional amendment to protect you from the assumption by the United States of the debts incurred in aid of insurrection or rebellion against the United States, and from the payment of any claim for the loss or emancipation of any slave. But Congress alone, and, as I verily believe, the Republican party alone, can protect you from the untold multitude and magnitude of claims for losses to persons and property in the rebel States sustained by the rebels themselves.

And, fellow citizens, there is another danger that will come from the restoration of the Democratic party to power which does not appeal to your pocket, but to a higher sense of duty and obligation, and that is our duty and obligations to the freedmen of the South. At best their position in the midst of a large number of our race who can not forget that these freedmen were lately their slaves is one of danger.

The whites of the South were as a rule disloyal; the blacks almost without exception were true and loyal. They have been emancipated by our policy. We have promised them freedom and citizenship and all the rights that freedom and citizenship imply. Even under a Republican administration, animated with the strongest desire to protect them, they have been the objects of murder, outrage, and wrong. No language can describe the atrocities to which they have been subjected. The story of the "Ku-Klux" and "White League" is an infamous chapter in the history of our civilization that can not be excelled in cruelty and horror by the worst barbarism of any nation or age. I had hoped that the firm suppression of these secret oath-bound conspiracies of hell by General Grant, and the universal execration they excited, would end forever their existence and influence. But it is not so. The clans may have disbanded, but the spirit that gave birth to them still exists all over the South, and every little while breaks out into such outrages as those at Clinton, Mississippi, and Hamburg, South Carolina. The murder of the six poor negroes at Hamburg, after they had surrendered to a lawless force, was as cruel as the suffocation of the prisoners in the Black Hole at Calcutta, as barbarous as the burning of Crawford by the Indians, and more base and cowardly than midnight murder and burglary. We must protect these people from such atrocities. We must punish such murderers, by law if we can, but at all events we must punish them, or the torch and the knife will eventually bring that retaliation which such crimes always produce. This Southern question has been and is now the most difficult in the whole range of our political problems. It is difficult to say what ought to be done. What we know is that the blacks have the rights of freemen, and it is our duty to protect them in those rights. A Republican administration, and especially General Grant, has sought to do this. He has in a great measure succeeded. He has only failed by reason of the superior numbers and intelligence of the white Democrats on the ground, who have committed every atrocity that has been committed on the freedmen of the South. Every one of these whites will vote for the Democratic ticket. It was their general support that secured so promptly the nomination of Tilden. With far different motives than will influence the Democrats of Ohio, they will vote the same ticket, and by their joint success the freedmen will be handed over to the tender mercies of their rebel masters. Who among you believes that a Democratic administration will ever attempt to protect them in their political rights? Tilden may promise, but, like Buchanan, he will creep behind his construction of the Constitution. If the freedmen quietly relapse into their former state, content to live and labor, this may be granted them for the interest of their employers; but, if they indulge in the aspirations of freemen, if they exhibit intelligence and foresight, if they even become leaders of a few ignorant men, or drink at the fountains of knowledge, this will be the occasion of their murder. And this, fellow citizens, will be one of the dangers of a Democratic restoration.

If there is one principle to which the Republican party has been true it is the education of all classes and conditions of men. In every

State and community where its influence has been felt the schools have been advanced and improved. We freely vote millions for their support. Relying upon the intelligence of our people we have sought to convey that intelligence at the fountain-head. And so in this Southern question we have sought to develop a solution by the introduction of schools. Give to the whole population of the South, white and black, a thorough system of schools, and the light of intelligence will rapidly dawn upon the black race, and the fierce prejudices of the white race will be lifted like a cloud. It is not the educated whites that murder negroes and burn down cabins and school-houses. Such men as Lamar and Gibson deplore as much as we can the atrocities they can not deny. It is the young men, ignorant because they have no schools; idle because they think it below caste for a white man to work; cruel from the spectacle of slavery, which was cruelty intensified; narrow-minded because they really think a feeble, sparsely populated State is the center of civilization; unpatriotic because they entered life when to fight their country was patriotism; proud because their fathers were planters and owned slaves. These men may be sobered by the responsibilities of a family and the lapse of time. Our hope must be in their children; in a policy of kindness and firmness; of education and development. We must convince them that to enjoy their own rights they must respect the rights of others; and I believe no greater injury could be done to them than, by the restoration of the Democratic party to power, to restore them to their former control and domination. That means the barbarism of an uncontrolled rule over the freedmen; the burning of school-houses; the setting back in their advance to new ideas; the arrest of all emigration; the discouragement of capital, and a renewal of the old contests between the Republican and Democratic parties upon the color line, and all that the difference between a nation and a confederacy implies. But we can not reason with the men who will gain power by the success of the Democratic party. It is the Northern Democrat, who was patriotic during the war, whose judgment I invoke when I point out to him the dangers of the restoration of the Democrats to power in the National Government.

And who would be willing to trust the Democratic party to protect the public schools from the sure and dangerous attack upon them by a great and growing church which now openly, boldly, demands sectarian schools and a division of the school fund for their support? This cloud, no larger than a man's hand, is sure to enlarge and extend until the whole heavens shall be darkened with its wrath. The Catholic people are taught to believe that our schools are godless because we can not allow any particular form of worship to be used in them. They are public schools, maintained by taxation, to which all children are invited, and where no favor is shown to Catholic or Protestant, poor or rich, white or black. The pupils are the children of the country, soon to be its masters, and their education is the safety of the State. But the Catholic priesthood insists upon a separate, sectarian education of Catholic children. We can not deny their right to maintain such schools as they will, though such a policy is a violation of the spirit of our fundamental law which requires the separation of Church and

State. Education is the process of molding citizens, and all experience proves that it should be free from sectarian influence. Still, if they will insist on an anti-Republican policy, we demand that it shall be conducted at their expense and not at ours. Upon this question the Republican party does now, and ever will, speak with no uncertain sound. I appeal to your judgment whether the Democratic party can be trusted on this question. Read its history in New York. Mark the hesitation of its leaders. The proposed amendment to the Constitution to secure our schools from sectarian influence was clogged by the Democratic House with provisions that utterly nullify it, and when this great issue comes squarely before you the Republican party will occupy the most advanced position in favor of free schools for all—secular education by the State and religious instruction by the family; and the Democratic party will be lagging behind, afraid to oppose us, but with one eye on the Catholic vote and one hand extended to the Catholic priesthood.

And now, fellow citizens, let us inquire upon what principle or policy it is proposed to restore the Democratic party to power. I have said in the Senate, and I now repeat it to you, that the Democratic party does not now dare to present a single issue upon which it has stood since the foundation of the Republican party; not one. These issues have been as numerous as the years that have passed. They have been by far the most important issues that have arisen since the framing of the Constitution. However trifling may be the ordinary run of political contests, no one can question that the contests between the Republican and Democratic parties have involved the fate of our country; they have tested the very foundations of our institutions, and have spread their influence over the whole world, and will influence future ages. We have been engaged in no holiday work. The war still looms up behind us, like a mountain in the skies. Our right to wage it, our measures of finance, our organization of the armies, the abolition of slavery, and the reconstruction of revolted States, with the infinite number of collateral questions, once fiercely disputed but now almost forgotten—all are settled, and by the Republican party. At every step in this history we met and overcame the opposition of the Democratic party, and now we can proudly appeal to our old adversaries to say if what has been done has not been wisely done. You must all admit that there must be something great in a political organization that has been able to achieve what Webster hoped for; that did what all the world thought could not be done, and now stands before you justified by the acquiescence of its old adversaries. The Democratic National Convention, in the second and chief plank of its platform, ratifies and approves what we have done against Democratic opposition, and now formally enters its confession of approval of the distinctive element of our faith.

For the Democracy of the whole country, we do here reaffirm our faith in the permanence of the Federal Union, our devotion to the Constitution of the United States, with its amendments universally accepted as a final settlement of the controversies that engendered civil war, and do record our steadfast confidence in the perpetuity of republican self-government.

In the absolute acquiescence in the will of the majority—the vital principle of republics; in the supremacy of the civil over the military authority; in the total separation of Church and State for the sake alike of civil and religious freedom; in the equality of all citizens before just laws of their own enactment; in the liberty of individual conduct unvexed by sumptuary laws; in the faithful education of the rising generation, that they may preserve, enjoy, and transmit these best conditions of human happiness and hope, we behold the noblest products of a hundred years of changeful history.

This is a Republican resolution. How strangely it sounds in a Democratic platform! It covers the vital questions of the war; it acknowledges the integrity of the Union so fiercely assailed; it acquiesces in the will of the majority; the abolition of slavery; the constitutional amendments; the equality of all citizens; the separation of Church and State. These principles are those which we have maintained in bloody war, and now they acquiesce in them. But will they enforce them? We know they will not. The only danger that threatens these great safeguards is in and from the Democratic party. It can not be trusted to enforce one of them. There are some more recent questions, which have not been embraced in this confession of acquiescence, and these are the election laws, the enforcement laws, and the resumption law, each of which provoked its violent opposition, but is quietly ignored or evaded, and will come again before us.

The election law grew out of the wholesale fraud in the presidential election of 1868, by which the vote of the great State of New York was counted for Horatio Seymour for President instead of for General Grant. That election was made the subject of a Congressional investigation, and the fraud was established by overwhelming proof. In the single month of October, 1868, more than 41,000 naturalization certificates were issued in the city of New York, or more than four times the average number of previous years, and nearly three times the largest number in any previous year. This was mainly the work of two corrupt and infamous Democratic judges, McCunn and Barnard. In a single day McCunn issued 955 certificates. These certificates were distributed in several counties, but mainly in New York. They were procured from the Supreme Court for fictitious names and delivered without cost to aliens and citizens to enable them to register and vote as "repeaters." The evidence conclusively shows that on the days of registration and election bands of men ranged over the city of New York, registering and voting on assumed and fictitious names. These gangs of repeaters were protected by the police force of the city. But the special feature of this infamous conspiracy against the elective franchise to which I wish now to call your attention is the plan adopted by the great leaders of the Democratic party in New York to cheat the people of that State, so that, if repeating and fraudulent voting did not suffice, the deficiency could be made up by stuffing the ballot-boxes with tickets never voted and by falsifying the returns.

Immediately preceding the election in November, 1868, A. Oakey Hall, the Secretary of the Democratic State Committee, and shortly after Mayor of New York, issued a secret circular and sent it to the chairman of every county Democratic organization in the State.

PRIVATE AND STRICTLY CONFIDENTIAL.

ROOMS OF THE DEMOCRATIC STATE COMMITTEE,  
October 27, 1868.

MY DEAR SIR: Please at once to communicate with some reliable person in three or four principal towns and in each city of your county, and request him (expenses duly arranged for this end) to telegraph to William M. Tweed, Tammany Hall, at the minute of closing the polls, not waiting for the count, such person's estimate of the vote.

Let the telegraph be as follows:

"This town will show a Democratic gain (or loss) over last year of (number)." Or this one is sufficiently certain: "This town will give a Republican (or Democratic) majority of —."

There is, of course, an important object to be obtained by a simultaneous transmission at the hour of the closing of the polls, but no longer waiting. Opportunity can be taken of the usual half-hour lull in telegraphic communications over lines before actual results begin to be declared, and before the Associated Press absorb the telegraph with returns and interfere with individual messages; and give orders to watch carefully the count.

SAMUEL J. TILDEN, *Chairman.*

Governor Tilden denies that he signed or authorized this circular. If so, Hall and Tweed, of Tammany Hall, forged his signature and assumed his acquiescence; but if he denounced this forgery and the results of it, I have never heard of it. Horace Greeley declared him responsible for it before God and man. This secret circular was responded to by more than two hundred telegrams. But, while there was this haste to get the country vote, that in the city was purposely delayed, while a conspiracy was arranged to enable the canvassers at each polling place to change Republican tickets for Democratic tickets or to stuff the ballot-boxes, adding Democratic tickets, and having them counted accordingly; and this after they had secured, on Governor Tilden's name and secret circular, information as to how many fraudulent votes were needed to rob the people of New York of their choice for President and Governor. The disgusting details of this conspiracy and of its complete success are given in the testimony taken before the Congressional Committee, and are stated in the report of its chairman, Judge Lawrence, of Ohio. He says:

When all these tests unite in proving the same result, corroborated by undisputed facts, showing great frauds, the conclusion becomes irresistible that at least 25,000 fraudulent votes were cast in New York City at the election in November.

Every one of these fraudulent votes was a Democratic vote, cast for Horatio Seymour for President and for John T. Hoffman for Governor; and with all these frauds the majority counted in their favor in the State was only 10,000 in a vote of 850,000.

This now undisputed crime gave rise to the election laws passed by Congress. These laws were resisted at every stage by the Democratic party. Many a weary night session we held to pass them. Their resistance to these laws was second only to their opposition to the constitutional amendments. At the recent session the House of Representatives passed in one of the appropriation bills an amendment repealing the election laws, and the Republican Senate would have gladly accepted the issue; but the Democratic caucus withdrew the amendment,



and these laws still stand to guard the approaching election. But the Democratic party has not made and dare not make an issue upon them.

Another long struggle between the two parties was over the passage of the law to enforce the constitutional amendments, and to secure equal rights to all citizens. In the resolution I read to you they acquiesce in the amendments, but carefully avoid all mention of the enforcement acts. This is easily explained by the fact that the Democratic leaders have placed a construction upon the amendments that will, if accepted, nullify and destroy them, and invalidate all acts to enforce them. Under a Democratic administration the freedman can not assert his civil rights or his right to vote unless the State shall deny or abridge it. In that event only they tell us can Congress interfere by appropriate legislation. A citizen, a mob, a city, or a county may deny the freedman the right to vote, and Congress is powerless to protect him. Such is their construction of the amendments, and, if adopted, terror, violence, fraud, and murder can deprive negroes of all civil rights if only the *State* is silent. The Republican party, however, insists that Congress may enforce the constitutional amendments not only against the laws of a State, but against every person, mob, or corporation that denies a citizen his right or deprives him of it. And this vital issue is concealed and covered up in the Democratic platform. There is not one word in it about protection to citizens in equal rights. The Democrats acquiesce in the amendments as they construe them, but give no assurance or promise that they will enforce them by appropriate legislation. If they succeed, and the negro is deprived by fraud and violence of his civil rights, as he will be, they will say "the State does not deny or abridge your rights, and therefore Congress can not interfere." But the *State* will be neutral. It will not punish a violation of civil rights; and thus the freedmen, bound hand and foot by this Democratic construction, will be surrendered to the tender mercies of the Ku-Klux and White Leagues, who are as safe from punishment under State laws for killing negroes as for planting potatoes.

Now, on this vital question the Republican platform rings out like a bell.

This is the third resolution :

3. The permanent pacification of the southern section of the Union and the complete protection of its citizens in the free enjoyment of all their rights are duties to which the Republican party stands sacredly pledged. The power to provide for the enforcement of the principles embodied in the recent constitutional amendments is in the Congress of the United States, and we declare it to be the solemn obligation of the Legislative and Executive departments of the Government to put into immediate and vigorous use all their constitutional powers for removing any just causes of discontent on the part of any class, and for securing to every American citizen complete liberty and exact equality in the exercise of all civil, political, and private rights. To this end we imperatively demand a Congress and a chief Executive whose courage and fidelity to these duties shall not falter until these results are placed beyond dispute or recall.

The letters of acceptance of General Hayes and Mr. Wheeler are clear and strong to the same effect, while Tilden and Hendricks talk about reforming everything else than outrage and murder in the Southern States. The only reference made to either of them in their letters

of acceptance is the general phrase used by Mr. Tilden, that if he is elected he will exercise the powers which the laws and the Constitution give him to protect all citizens, whatever their former condition, and this expressly reserves to him, though without committal to it, the right to adopt the construction of the Constitution held by the Democratic party that these enforcement acts are null and void. He occupies precisely the position of Mr. Buchanan, who said he was opposed to secession, but had no power to prevent it. So Mr. Tilden will be in favor of equal rights, but will have no power to protect citizens in their enjoyment of them. A reference to the Constitution in this connection implies his doubt of the power under the Constitution to enforce equal rights. A man must be blind or foolish who will intrust to such men the lives and liberties of millions of freedmen.

There is another law passed by the Republican party against the united votes of all the Democrats in Congress, upon which they have not and dare not make a manly issue, and that is the resumption act. Last year the whole party in Ohio, with Governor Allen and General Ewing at the head, rung the changes upon this act. It was the raw head and bloody bones of their speeches and their dreams; and the chief mission of the Democratic party was to repeal it. Not a vestige was to remain. Many an honest man was led to vote the Democratic ticket by an erroneous conception of the resumption act, and in the faith that Governor Allen would in some way veto or repeal it. Well, we have had a Democratic National Convention at St. Louis, and here is what it says about resumption and the resumption act:

We denounce the financial imbecility and immorality of that party which, during eleven years of peace, has made no advance toward resumption, no preparation for resumption, but instead has obstructed resumption by wasting our resources and exhausting all our surplus income; and, while annually professing to intend a speedy return to specie payments, has annually enacted fresh hindrances thereto. As such a hindrance we denounce the resumption-day clause of the act of 1875, and demand its repeal.

This is piping in a lower key. The Democratic party denounces us for making no advance toward resumption during eleven years of peace. I have felt that we ought to have done so, and from my official position proposed various measures to that end; but I encountered differences of opinion in the Republican party as to the method of resumption, and a decided opposition from Democratic Senators to every plan proposed and to the thing itself.

Governor Tilden, in his letter of acceptance, recommends two plans in aid of resumption—one to gradually accumulate coin in the Treasury, and thus create an increasing reserve for resumption; and the other to either pay or fund into bonds such surplus greenbacks as the wants of business may fail to keep in use at par with coin. Well, I have proposed both plans from 1870 to this day, and so have General Grant and General Bristow, and the great body of the Republican party, and we have met with the opposition and denunciation of the Democratic party, especially here in Ohio, where Governor Allen, General Ewing, General Carey, and all the rest have fairly torn a passion to tatters in denouncing us for "hoarding gold" and "con-

tracting greenbacks." And now, forsooth, these same gentlemen are hurraing for Tilden and the very measures we proposed, and passing judgment against us for hindering resumption. So has it been, fellow citizens, with the Democratic party on every question of principle or policy for sixteen years. But Governor Tilden goes one step further than we have gone. He proposes to pay interest on greenbacks to make them desirable as an investment, and thus retire the whole body of them from circulation, and to continue the banking system, the strength of which he exaggerates, and give to the banks the entire circulation. Exeunt greenbacks, enter bank notes, says Governor Tilden. But last year it was "away with the banks; more greenbacks." How can we meet such adversaries? What honor or consistency is there in such political jugglery?

But they say that the Republican party wasted our resources and exhausted all our surplus income during those eleven years. Well, I know that we used the surplus income in paying off vast sums of floating war claims and debts, as well as the interest on the debt, and also the sum of \$500,252,802.59 of the principal of the bonded debt. I had regarded this as a matter of pride, not of reproach. They say we have annually enacted fresh hindrances to resumption. I do not know what they mean by this. I thought I had annually tried to get some measure of resumption enacted, but had annually failed for want of votes, but I was not aware of the passage of acts to hinder resumption. But the meanest and worst clause of this demagogical resolution is the last: "As such a *hindrance* we denounce the resumption-day clause of the act of 1875, and we demand its repeal." It is not the resumption act they denounce—that is approved—but the clause promising to redeem on the 1st day of January, 1879; and that, not because it is wrong to resume then, but because our promise to resume then is a "hindrance" to resumption. It can not be a hindrance earlier unless we ought to resume sooner. And so all the Democratic opposition to the resumption act is because we did not resume sooner. We hindered or delayed resumption. And upon this plank Governor Allen and General Ewing are to ride to victory, and the Republican party, which last year was tried before the people of Ohio because we thought it right to keep up a steady march toward resumption, is now to be tried by the Democratic party of the United States for devising a "hindrance"—many "hindrances," an "annual hindrance"—to resumption. Thereupon the Democrats solemnly demand that the special "hindrance," the fixing of a day so remote as January 1, 1879, shall be repealed, so that we may resume sooner.

And now come Tilden and Hendricks with their letters of acceptance, after much tribulation and delay, and demand the repeal of the date of resumption for opposite reasons. They are both riding the same mule, but face in opposite directions. Governor Hendricks wrote to his friends in the House of Representatives that "a repeal of the resumption clause, etc., in almost any form, will elect the State ticket and carry the Indianapolis district." Governor Tilden writes that the same clause is a hindrance to resumption, and advises that gold be hoarded, that greenbacks be paid or funded, converted into an invest-

ment in order to secure resumption; and thus these two candidates, after long incubation and much wine-drinking, go before the people on the same ticket as candidates of the Democratic party for President and Vice-President of the United States. And the Democratic House of Representatives, after being in session eight months, after these letters are received, in haste, under the spur of Governor Hendricks's promise concerning the election in Indiana, passes a bill, not to repeal the resumption act, but containing a single clause fixing a date without any substitute whatever. They dare not propose either plan suggested by Governor Tilden, but with opposite constructions of what they have done they will seek to pervert, mislead, and deceive you. In New York they will talk about resuming and Governor Tilden's plan of resuming. In Ohio and Indiana they will say they repealed the resumption act, so far as they could, and will promise more greenbacks. Fellow citizens, if there is anything which ought to settle the fate of the Democratic party with quiet, sensible men, who, seeking no office or favor, wish to do what is right, it is the position of the Democratic party on the resumption act. Proposing no measure itself, for Governor Tilden's letter is the first suggestion by any leading Democrat of a plan to secure resumption, abusing us one year for wishing to resume and the next year for hindering resumption; having no fixed principle; openly surrendering all they struggled for during the war; not daring to take issue with us on the enforcement or the election laws, and creeping through the most ridiculously small hole in the resumption act, the Democratic party of to-day stands before you without a single principle or measure that it dares to proclaim.

Let us now briefly state what this resumption law is. It contains several distinct provisions, but all of them are intended to bring up our greenbacks and bank notes to equality with coin. The first section provides for the substitution of silver coin for fractional currency. The reason of this was that this small paper currency was very perishable, lasting only on an average one year, and costing \$1,400,000 a year, or three and one half per cent. on its amount. It was not money, but a promise to pay money, while silver coin is money of intrinsic value that redeems itself and costs for coining only one and one half per cent., and when coined lasts indefinitely. We were able to buy silver bullion and coin it at a considerable profit, and thus redeem a costly, perishable, dirty paper money with bright, shining, silver coin—real money. This part of the resumption act is executing itself daily, and everybody agrees that it was a wise provision. Another provision of this act was for free banking. Before that the organization of national banks had become a monopoly. The limit of the law had been reached and no new bank could be authorized. The resumption act threw down all barriers to an increase of the number of banks, and put banking on the footing of all other trades or business. All persons can now engage in banking on equal terms; start a bank or wind it up; issue more circulation or retire it as freely as any storekeeper or farmer conducts his business. This simple provision destroyed all the illusions about banking. We hear no more of excessive profits. What any man can do at any time men are not so anxious to do. Under free banking more

banks have been discontinued than organized; more circulating notes retired than issued. This is regulated by what our Democratic friends call the "wants and demands of trade and business." This provision is so eminently just that he would be a bold man who should propose to repeal it and restore the monopoly of banking.

Another provision of the resumption act was that as new bank notes were issued United States notes should be retired until the amount should be reduced to \$300,000,000. This provision has been criticised, but in practical execution has proved its wisdom. The volume of United States notes is diminished without decreasing the aggregate of circulating notes. The only contraction of the currency is through the voluntary payment and retirement of bank notes by the banks that issue them, which is the necessary result of free banking. Under these provisions the United States and the banks are gradually preparing for resumption, and their notes approaching the gold standard. United States notes are now redeemable in silver coin, and could, if Congress would permit it, be redeemed in the old silver dollar. We have reached resumption in silver coin two years before the resumption act takes full effect.

The next provision of this act is that we will pay in coin such United States notes as may be presented on and after January 1, 1879, more than two years hence. Now, whether we ought to do that, whether we can do it, and whether, when we do it, prosperity will at once revive, are matters about which there is great diversity of opinion. You know my opinion, that not only public honor but the interest of every citizen demands that this promise be faithfully kept, and that if we adhere firmly to it, resumption in gold and silver coin will come as quickly, surely, and imperceptibly as resumption in silver coin has come. No doubt it is expedient for Congress to pass acts in aid of resumption. I have often urged it to do so. It may be that Congress will have to postpone the day of resumption, and if so, it is to be presumed that Congress will do its duty; but to make our notes equal to gold and silver coin, and steadily to pursue a policy to that end, is an obligation of national honor to which the Republican party is committed, and which it can not violate. Another and the only remaining provision of the resumption act is the authority it grants to the Secretary of the Treasury to issue United States bonds to enable him to prepare for and maintain resumption. I do not believe it will be necessary to use this power further than it has been used, for the surplus revenue and the sinking fund, now available for this purpose, will, I believe, be sufficient; but, at all events, the interest on the bonds that are needed for this purpose is insignificant, compared with the great benefits that will result from the resumption of specie payments in this country.

I do not now, fellow citizens, enter fully upon the great question of the restoration of the old silver dollar as the money of account, for it has not yet assumed a party aspect. I have given the subject the most careful consideration, and was the first to propose the recoinage of the old silver dollar. That it will and ought to aid us greatly in the problem of specie resumption, I have no doubt. But there are connected with the issue of this dollar questions about which there is and will be

a wide diversity of opinion—how rapidly it can be coined; how far it shall be made a legal tender; the purposes to which it shall be applied, whether to the redemption of the greenbacks or the increase of our currency; whether its effect will be to demonetize gold and what its true relation to gold is. All these are questions a wise man will consider fully before deciding.

I was a member of the Conference Committee of the two Houses on the silver bill. I am not at liberty to state what occurred, except as is shown by the action of the two Houses. Both Houses were in favor of issuing the old dollar—the dollar in legal existence since 1792, containing  $412\frac{1}{2}$  grains, and only demonetized in 1873, when it was worth two per cent. more than the gold dollar. It was then and for twenty years had been issued only for export, and was not in circulation. Still, it was a legal standard of value as well as gold and always had been, and it was the right of any debtor to pay in silver dollars as well as gold dollars. It was his legal option. The relative value of the two metals had often varied before, and still the right remained to the debtor to pay in either dollar, and therefore in the cheaper dollar. The mere disuse of the coinage of the silver dollar could not and ought not to affect preëxisting contracts. And now, when all our domestic contracts have been based upon depreciated paper money, made a legal tender for all debts, public and private, except customs duties and interest of the public debt, it would seem not only legal but right in the broadest sense of the word that we should avail ourselves of the rapid and remarkable fall of silver bullion to recoin the old silver coins, including the old silver dollar, the oldest of our coins, and with them pay our depreciated notes, and thus restore the old coin standard. I believe a decided majority of both Houses were in favor of this policy, but its execution is a work of time. There is a limit to our ability to coin silver pieces, and mints can not be improvised in a year. We therefore provided for all the silver coin that can possibly be coined at the mints of the United States, worked to their utmost capacity, until July, 1878. So far we agreed. And we could have agreed upon recoinning the old silver dollar; but whether it ought to be received for customs duties, now payable in gold, or be paid out for interest on the public debt, we could not agree. We concluded, therefore, that as it could not be coined for more than a year, to organize a commission, composed of members of both Houses and of experts in coinage and exchange, with a view to collect and report the fullest information possible. Thus the question of the old silver dollar is postponed until next winter, when it may be decided with all the lights that discussion may throw upon it. I know that it can be and ought to be made an instrument of resumption as well as a vast relief to all our industrial classes. These questions will be decided by the Republican party as all the great questions of the past sixteen years have been decided, so as to advance the general interests of the people. The Democratic party, as usual, will denounce what we do, then hesitate, then acquiesce, and then approve.

And now, fellow citizens, after a statement of the principal subjects that have been before us, and after showing you that upon all

the questions of the war and growing out of the war the Democratic party has confessed its errors ; that upon the vital topics, protection to all in the exercise of equal rights, the purity of elections, and specie payments, its position is either cowardly, evasive, uncertain, or radically wrong ; and that it does now dare to stand before the people on any question, measure, or issue advocated by it as a party within twenty years, I come directly to examine the ground and pretenses upon which it enters the canvass. *Retrenchment and reform!* Good words. They ought to be the aspiration and purpose of every candidate for presidential honors and of every man in public life. The question is not whether we favor retrenchment and reform, but whether Tilden and Hendricks are more likely to retrench and reform than Hayes and Wheeler ; whether the Democratic party with its followers and supporters, though condemned by you in every contest for years, is more likely to retrench and reform than the men composing the Republican party, who have fought your battles and guided your counsels with honor and safety for many years. It is not the cry of an opposition hungry for public plunder that must decide this question. Nor is it the crime or perfidy of a few men who now and then in the vast operations of a government may have proved false to their public trusts. It is the general tendencies and acts of a party that must determine its claims to public confidence. And on this broad issue I defy a comparison between the Republican and Democratic parties.

The administration of General Grant, now about to expire, has been arraigned by a House of Representatives armed with all the powers of investigation. Conscious that their only hope lay in blackening the character and conduct of General Grant and his appointees, the Democratic majority organized the whole House into committees of investigation. They have explored every department, bureau, and office of the Government. They have called as witnesses penitentiary convicts and the insane from the hospital. They have seized telegrams by the wholesale and examined private books and papers. They have sought to disclose Cabinet secrets which have always been held inviolable. They have employed detectives to watch accused persons. They have examined in secret witnesses without number to sustain secret accusations, and have given the accused no benefit of cross-examination, no opportunity to face their accusers, no specification of the charges against them ; and what is the result of it all ? A Secretary of War, always a Democrat, appointed by General Grant in a spirit of liberality and for his distinguished military services, is found to have appointed a post trader from personal considerations, and to have shared in his profits. In this foray they found that a prominent Democrat of Ohio received a large portion of a claim that ought never to have been paid. They examined the Secretary of the Navy for eight months, and then referred the case to another committee to report whether or not he had been guilty of a technical violation of law. They denounced the Credit Mobilier, and found that their candidate for President was its confidential lawyer. In nearly every case they have failed to disclose the testimony, and have only recently ordered it to be printed, so as to throw it into the canvass without any opportunity for explanation.

So far as we know there has been nothing disclosed that will compare with the offenses of Floyd, Thompson, and Toucey, three members of the last Democratic Cabinet. They started for a campaign of scandal, and they have made no investigation where they have not run against Democratic misconduct. In the mean time General Grant and General Bristow exposed and punished the whisky ring. No guilty man has been shielded by the Republican party. Here and there time has shown that bad appointments have been made and officers have betrayed their trusts; but when we come to compare the general results under Republican administrations, we find that there has been a far smaller proportion of fraud, peculation, and embezzlement than during any Democratic administration. I have here an official table showing the receipts and disbursements of the Government from January 1, 1834, to June 30, 1875, exhibiting also the amount of defalcations and the ratio of losses per \$1,000 arranged in periods of four years each. This table shows that during the last term of General Jackson the loss on money received was \$10.17 for each \$1,000; in Van Buren's time \$3.01 for each \$1,000; in John Tyler's time \$3.68 for each \$1,000; in Buchanan's time 62 cents for each \$1,000; in Mr. Lincoln's time 10 cents for each \$1,000; in Andrew Johnson's time 63 cents for each \$1,000; in General Grant's first term 37 cents for each \$1,000, and in General Grant's second term 22 cents for each \$1,000. In the general aggregate the loss from January 1, 1834, to June 30, 1861, nearly all which was during Democratic administrations, was \$2.09 for each \$1,000; and from July 1, 1861, to June 30, 1875, during Republican administrations, the loss was 34 cents for each \$1,000.

This table also shows that in the disbursement of public money during General Jackson's second term the loss by defalcation was \$10.55 for each \$1,000; in Mr. Van Buren's term it was \$21.15 for each \$1,000; in John Tyler's term it was \$10.37 for each \$1,000; in Mr. Buchanan's term it was \$6.98 for each \$1,000; in Mr. Lincoln's time, or during the war, it was \$1.41 for each \$1,000; in Johnson's time it was 48 cents in each \$1,000; in General Grant's first term it was 40 cents for each \$1,000, and in General Grant's second term it was 26 cents for each \$1,000. During the whole period from January 1, 1834, to June 30, 1861, the loss in disbursing public money, under Democratic administrations, was \$9.02 for each \$1,000; and from July 1, 1861, to June 30, 1875, under Republican administrations, it was 78 cents for each \$1,000. This table shows at once the relative fidelity of Democratic and Republican administrations in the collection and disbursement of public money, as shown by actual results and by authority that can not be questioned or denied. In the light of these facts, how absurd it is to appeal to you to restore the Democratic party to power again in order to secure honesty and fidelity in public officials!

But they tell you they are for retrenchment. They tell you what a Democratic House has done to reduce expenditures. Well, this House has slashed away at a great rate. They have refused appropriations for the most necessary wants of the Government. They reduced the pay of clerks fixed by law by a Democratic Congress in 1854, when the pay was gold. They reduced the pay of foreign ministers and



consuls established in 1856. They reduced in a wild, hap-hazard way the sums appropriated for public buildings in process of erection, and for the support of courts regulated by law, and next winter they will be compelled to make them good by deficiency bills. It is the old demagogical trick of a party in opposition wishing to gain power.

The devil was sick, the devil a monk would be;  
The devil was well, the devil a monk was he.

It is easy to cut down appropriations, but this is not always retrenchment. A man might retrench both bread and meat, but he would starve. True retrenchment consists in producing the best results with the smallest sum necessary. I do not say the Republican party has always done this, for I know it has not; but it has come nearer to it than the wild slashing and cutting down of appropriations by the Democratic House.

Ever since the war, by which our appropriations have been increased manifold, the reduction of expenditures has steadily gone on, except for two years, when very large appropriations were made for public buildings and works of internal improvement. I have a table carefully prepared in the Treasury Department showing that the current expenditures for 1875 were \$84,773,762, in currency, and in 1860 \$63,025,788, in gold, for similar purposes. Considering the increase of population and the depreciation of the currency, our regular expenditures not growing out of the war are less per capita than before the rebellion. But the great body of our expenditures in 1875, as for every year since the war, was for items directly caused by the war, amounting to \$189,849,630, such as interest on the public debt, pensions, claims, and the like, a detailed statement of which I have in this document, and all of which are the direct result of the war, and are properly chargeable to the Democratic party as the cause and author of the war. And in the future the Republican party is much more likely to reduce these items than the Democratic party.

And as to the cry for reform, the promise of which is the burden of the Democratic platform, it is the old cry of "stop thief." The Democratic party has neither proposed nor accomplished any reform for thirty years. The reform which is demanded by the general voice of the people—the reformation of our civil service—depends almost entirely upon the President and heads of departments. The Constitution invests them alone with the appointing power. The law now on the statute book passed by a Republican administration confers all possible power upon these officers to accomplish this reform. You have the plain promise of Governor Hayes in his letter of acceptance that he will bring it about, and his promise is one that has never been broken. All hope of civil-service reform must depend upon the character, tendencies, and good faith of the President. Contrast Governor Hayes and Mr. Tilden, and then answer to your consciences which of them is more likely to secure reform. Mr. Tilden is a New York lawyer, trained in the school of Van Buren, who was the author of the policy that "to the victors belong the spoils." His political life has been spent in the city of New York, and his business life has been devoted

to the wrecking of corporations. Would any sensible man look to him, followed, as he will be, by a horde of hungry office-seekers, to effect a reform of the civil service? Governor Hayes was reared in the more modest and I think purer school of Ohio politics, and his professional life has been spent in punishing crime and securing justice to the poor and defenseless. His administration as Governor of Ohio has been distinguished by wise management of our benevolent and reformatory institutions, in which he knew no politics, and won the respect and esteem of his political adversaries. You know him well, and appreciate his purity and firmness of character. He is now solemnly pledged to reform the civil service, and by an act of self-abnegation he gives you the highest assurance that he will execute that pledge, for he assures you in advance that he will in no event be a candidate for a second term. What motive can he have to give you other than an honest and pure administration?

And there is one other test which, when applied to these candidates, should influence the mind of every patriotic citizen. Mr. Tilden is the reputed author of the "submission" plank in the Democratic platform of 1864. If he distinguished himself by any act of patriotism in the time that tried men's souls, I never heard of it. Governor Hayes was distinguished for gallant services in the army, and bears honorable wounds. Every page of his life is marked by ardent patriotism. No consideration for his own interest or safety could induce him to leave his duty in the field until the surrender of every rebel army. Surely, when choosing a Chief Magistrate, this is the highest test of merit.

Let us, my Republican friends, enter this contest with firm confidence that the people will do what is best. Let us again gather around the Republican party, proud of all the good it has done, anxious to repair its errors, determined to advance its standard, to keep fully abreast of the noblest and highest aspirations and purposes of our age, and to crown the full measure of our political life by protecting all men in equal rights, by redeeming all pledges of the public faith, and by securing all reforms attainable by poor human nature. Our candidates are honest, honorable men, unblemished in name or reputation: of that class and type of men called "self-made," because their high position is the natural result of their own life's labor and character, without the aid of wealth or superior advantages. With such a party and such candidates we may boldly enter the lists with absolute assurance that our success will advance the interests and honor of our country.

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## CONDUCT OF PUBLIC AFFAIRS.

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*AT MANSFIELD, OHIO, AUGUST 17, 1877.*

FELLOW CITIZENS, LADIES AND GENTLEMEN: The kindly words of welcome uttered by my friend and associate of many years move me beyond expression. They recall to me the memory of the early time when I came to Mansfield, then a scattered hamlet of about 1,100 inhabitants, without pavements or any of the modern conveniences of cities and towns. As Mr. Hedges has told you, very many of those I then met here are dead and gone. I was a boy then. A generation has passed away, and the sons of those I met then as citizens of Richland County now fill places of trust and responsibility. I have every reason in the world for being strongly attached to this town of Mansfield. You have always been kind to me. Here I studied law, here I practiced my profession for several years, here I married my wife, a native of your town, here I have lived ever since, and when the time comes, when this mortal coil shall be shuffled off, here, probably, will my body rest with your fathers. But pardon me, fellow citizens, if, under the kind words of welcome of your spokesman, my old and honored friend, Mr. Hedges, I have forgotten that we are here not merely to exchange courtesies, but to discuss grave matters of far more importance than the life or memories of an individual.

I am here to-night to state to you my views of what has thus far been done by the present Administration in its conduct of public affairs. I wish it distinctly understood that in doing so I speak for myself alone, as a citizen of Ohio, to you my fellow citizens and neighbors, to whom I am under the highest obligations of gratitude and duty. The President authorized me to say one thing, and one thing only, for him, and in his name, and that is that all reports that impute to him any participation whatever in the nomination of candidates on your State ticket, or any desire or purpose to influence in any way the senatorial contest in Ohio, are utterly groundless. These are your matters, and I can assure you for him that he has not interposed and will not interpose in any such contest between political friends. For anything else I say to you, neither he nor my old and honored friend, Judge West, is responsible.

You all know that I am now, and have been, warmly attached to the Republican party. I believe in its principles and honor its work. With my strong convictions I could not conceal my partisan bias, or my earnest hope for the success of the Republican party; but the subjects of which I intend to speak to you to-night will not lead me to say much of former political struggles, or to fight our old battles over again, but chiefly to discuss the actual administrative questions of the day as they have arisen since the fourth of March last, in all of which you are alike interested whether you may call yourselves Republicans or Democrats. On these questions I wish to appeal fairly to the candor and good judgment of honest men of both parties, asking for the

administration of President Hayes only that considerate charity of judgment which must be extended to all human agents.

When he was inaugurated he found thirty-six States in the full and uncontested exercise of all the powers of States in the Union. In two States only were there contests as to who was Governor. Both contests had existed from January to March, 1877, while General Grant was President. In South Carolina, Governor Chamberlain claimed to have been elected on the Republican ticket, and General Hampton on the Democratic ticket. The President is not made the judge of who is elected Governor of a State, and an attempt to exercise such a power would be a plain act of usurpation. The constitution of South Carolina is much like that of Ohio. The count of the vote was to be made by the General Assembly of the State. Unfortunately for Chamberlain a controlling question in the contest had been decided against him by a Republican court, and he was kept in possession of the State House only by the actual presence of United States troops in the building. He had appealed again and again to President Grant to recognize him as Governor and to give him the aid of Federal troops to enforce his claim, which General Grant had refused, seeking only to preserve the public peace. When President Hayes was inaugurated both contestants were called to Washington; both were patiently heard, and the questions presented were patiently and carefully examined. The President held that a case was not presented in which, under the Constitution and the laws, he was justified in using the army of the United States in deciding a purely local election contest.

The soldiers and bayonets of the United States were then withdrawn from the State House—not from the State, nor the capital of the State, but from the building in which the Legislature, which alone could lawfully decide this contest, must meet. This was all that was done by the President, and Governor Chamberlain, without further contesting his claim, abandoned it and left the State. I say to you now that, strongly as I desired the success of Governor Chamberlain and the Republican party in South Carolina, I believe that the President had not the shadow of a right to interpose the power of the army in this contest, and his attempt to do so would have been rash and abortive as well as without legal right.

The case of Louisiana was far more difficult. The local returning officers of that State had, after a full examination, certified to the election of the Legislature, with a Republican majority in both Houses. This had been done by excluding from their return the votes of certain parishes and counties wherein intimidation, violence, and fraud had prevailed to an extent sufficient to change the result of the election. I was present, at the request of General Grant, to witness the count, and I assure you, as I have said officially, that the proof of this intimidation, violence, and fraud, extending to murder, cruelty, and outrage in every form, was absolutely conclusive, showing a degree of violence in some of those parishes that was more revolting and barbarous than anything I could conceive of. It was plain that the returning officers had the legal right to pass upon and certify in the first instance who were elected members of the Legislature, and that they were justified by the evi-

dence in excluding bulldozed parishes; but it was equally clear that their return was not conclusive upon the members elected, and that each House had the constitutional right to pass upon the returns, and the election of its members, and to set aside the action of the Returning Board. The two Houses, when organized, had also the power to pass upon the returns of the election of Governor, and they alone and no one else possessed that power. Neither the President of the United States nor the Returning Board has any power or right to pass upon the election of Governor. And here the difficulty in the Louisiana case commences.

Governor Packard contends that a majority of the two Houses, as duly returned, did pass upon the election of Governor, and did return that he was duly elected, but this was stoutly denied by Governor Nichols. This vital point was strongly asserted and denied by the adverse parties, and the Legislature of Louisiana divided into two hostile bodies, holding separate sessions, each asserting its legal power, and denouncing the other as rebels and traitors. Governor Packard and his Legislature called upon President Grant for the aid of the army to put down insurrection and domestic violence; and here I confess that if I had been President instead of General Grant, I would have recognized Packard and sustained him with the full power of the General Government. My intense feeling caused by the atrocities in Louisiana may have unduly influenced me. But General Grant did not think this was his duty. I do not criticize his action, but only state the facts. He would only maintain the peace. He would not recognize Packard as Governor, but I know what is now an open secret, that it was the strong bent of his mind, and at one time it was his decision, to withdraw the troops, recognize Nichols, and thus end this dangerous contest. He did not do this, but simply kept the peace.

But during these two months the whole condition of affairs had slowly changed in Louisiana. The government of Packard had dwindled away until it had scarcely a shadow of strength or authority, except at the State House, where it was upheld by Federal bayonets. The government of Nichols had extended its authority over the State, and was in full existence as the *de facto* government of Louisiana, supported by the great body of the white men and nearly all the wealth and intelligence of the State, and by the tired acquiescence of a large portion of the colored people, some of whom deserted his Legislature and entered that of Governor Nichols. The delay and hesitation of General Grant had been fatal to Packard, and when Hayes became President the practical question was greatly changed. One thing was clear, that a Legislature had been duly elected in the November previous, and was then in existence, though separated into two parts. If the members lawfully elected could be convened, they could decide the question of who was Governor alone without the intervention of troops, and their decision could be supported, if necessary, by the General Government.

The most careful consideration was given to this question. Days and weeks of anxious deliberation were given to it by the President and his Cabinet. But one way seemed open for a peaceful solution,

and that was to gather, if possible, a single Legislature which could be recognized as the depository of the representative will of the people of Louisiana. If this could be done it had the unquestioned right to decide who had been elected Governor, and all other questions would settle themselves. To aid in this object, a commission of the most eminent men, high in position, from different States and distinguished for judicial impartiality, was selected, and the result is known to all. They went to Louisiana, and, with great difficulty, brought together these hostile Legislatures, which met, organized, promptly settled the question in dispute in favor of the government of Nichols, and thus put an end to this most dangerous controversy. No other change was made, no other act done except that, when the solution was almost accomplished, the few troops who had occupied the State House were withdrawn a few squares away, to their barracks. Thus, in this peaceful appeal to the Legislature of Louisiana, was settled this controversy, which endangered the peace and safety not only of that State, but of the whole people of the United States. This is the sum and substance of all that was done in pursuance of the Southern policy, as it is called, of the President. Perhaps I ought to state that his policy has a broader motive than a mere settlement of a local election contest. It seeks to bring the North and South again into conditions of harmony and fraternity, and, by a frank appeal to the generous impulses and patriotic feeling of all classes of people in the South, to secure not only peace among themselves but the equal protection of the laws, and security in the enjoyment of political and civil rights to all.

No doubt the result in Louisiana caused some disappointment to many Republicans throughout the United States, who deeply sympathized with their Republican brethren in that State. I did, and do, share in that feeling, and yet I feel and know that every step taken by President Hayes was right, in strict accordance with his constitutional duty, and from the highest motives of patriotism. Some are foolish enough to talk of his abandoning the colored people and their constitutional rights. President Hayes, from his early manhood, has been an antislavery man, whose life was imperiled on many battle-fields in the great cause of liberty. He sympathizes more with the colored people, and will do more for their equal rights, than those who falsely accuse him; and I believe this day that the policy he has adopted will do more to secure the full, practical enforcement of those rights than the employment of an army tenfold as great as the army of the United States.

The equal rights of the freedmen are now placed on the same constitutional footing as ours. Unarmed, unorganized, defenseless, and ignorant as they have been, they can realize the full enjoyment of their rights only when education dispels their ignorance and teaches them how to defend their rights. The policy of the President will make it possible in the Gulf States for them to secure the aid and sympathy of an influential portion of the whites. It has also secured to them the pledge of honor of the local State governments to protect every man in full equal civil and political rights. No people can be more interested in observing this pledge than the governing white men of the South. The ultimate safety of their life and property depends upon

it. The people of the United States will hold them to it, and now, when by this policy of President Hayes they have what they call home rule, upon their self-proclaimed promise that home rule means the equal protection in equal civil and political rights of all, they have to fulfill this promise or stand dishonored before the civilized world. The amendments to the Constitution will stand, and they will be enforced; but it is far better this shall be done by the consent of all, in the interest of all, than by the agency of an army. Constitutional rights can be secured only by legal means. The whole Southern policy of President Hayes is to secure constitutional rights not only by legal but by peaceful means, by an appeal to the interest and honor of all classes; but, if this fails, if I do not greatly err, he will not be wanting in the exercise of the full powers of his great office to secure the civil rights of all, without distinction of race, color, or condition.

Another question of administration promptly received the attention of President Hayes. It has been the standing promise of both political parties for fifty years to secure civil-service reform, without defining what was meant by this phrase, while old abuses grew and new abuses sprang up by which the civil service of the Government was largely made an agency to control the action of parties, and to influence the rising or falling fortunes of politicians, while the public service was a secondary consideration. Upon this subject the President had clear and radical views, and he has not hesitated, against the opposition of many in his own party, to enter upon the reform of these abuses. Whether true or not, it has been believed that the Custom-House in New York, the great agency for the collection of the duties on imported goods, was especially open to these abuses, and that the public interests were sacrificed to the advancement of the political and pecuniary interests of individuals. The President directed that a thorough investigation, free from political bias, should be made there by independent men of both parties, aimed not at individuals, but at the system itself. It was in the progress of this investigation that he issued the order about which so much complaint has been made. Here it is:

No officer should be required or permitted to take part in the management of political organizations, caucuses, conventions, or election campaigns. Their right to vote and express their views on public questions, either orally or through the press, is not denied, provided it does not interfere with the discharge of their official duties. No assessment for political purposes on officers or subordinates should be allowed.

This order was promptly denounced as an invasion of the rights of individuals, and its meaning and purport were grossly perverted. In the Western country, where our political movements are more free from the influence of office-holders, there has always been a strong popular feeling against the interposition of machine politicians. The people here are abundantly able, without the aid of office-holders, to manage their conventions, caucuses, and organizations, and it has always been a matter of complaint even in our counties and cities whenever rings of office-holders were formed, who were offensively officious in controlling popular conventions, and, as a rule, such things have not been tolerated. But in the great cities the office-holders are selected, not only to be ac-

tive at the election or to influence the election, but to run the machinery by which nominations are made, and caucuses held. They select delegates to conventions, pay their expenses, control their votes, appear as president, secretary, or guiding genius of the convention, and thus the whole machinery of politics is an office-holding monopoly, offensive to the mass of the people, and tending to prevent the just control of political movements by free, unbiased popular opinion.

It was this abuse, the greatest of all, at which the President struck directly. The President has not objected, and never did object, to the most active men being appointed to, and aspiring for, office. He would naturally select from among the most active men in private life those who are to hold public offices, and, other things being equal, would select one of his own party, rather than one of the adverse party. At all events that is my own view. I think it would be a shade dishonorable for a man to seek an office from the party whose success and principles he opposed, though he might accept an office tendered to him. It is natural that, in selecting men for office from the great political organizations composed of large masses of people, friends rather than adversaries should be selected. But there are occasions when the party line should not be drawn, and in all cases where parties put up bad men it is the first bounden duty of every good citizen to refuse to vote for them, and thus compel the selection of the best men for office. But where any one has attained office, either by appointment or election, he ought not to consider that he is, therefore, to be the ruling manager of conventions and caucuses, with a view to put up this Republican and put down another, or to pull down this Democrat to put up another. He ought to hold his office with seemly modesty, leaving it to the people to run the machinery of their own political organizations. There never was and never will be danger in our system that the necessary movements of the people need the guidance of paid office-holders. Of late the influence of office-holding on politics has grown worse and worse. When, eighteen years ago, I heard a prominent member of the House of Representatives declare that it cost him fifteen thousand dollars to be elected, I was happy to respond for you that if I had spent five hundred dollars in securing my election I should have been defeated, and I can say in your presence, for you know it, that the custom then prevailing prevented any large expenditure of money, and that, though four times elected to Congress in this district, I did not, and could not, without danger to myself, spend any considerable sums on my election. But of late the expenses of popular elections have so increased that we are in danger of the very evils that for a hundred years disgraced the election of the members of the House of Commons, and led to laws of the greatest severity against bribery and corruption.

I believe in the order of the President, and hope he will stand by it; and if he adds to the good work of his administration the breaking down of this office-holding officiousness in the management of campaigns, this running of caucuses and conventions by office-holders, and forced assessment from unwilling office-holders for political purposes, and will secure to the people a free, unbiased control of their primary movements in the election of officers, he will have accomplished a



work second only in importance to the pacification of the South. The order of the President does not interfere with the right of any officer to vote or to express his views on public questions, either orally or through the press, and I, at your invitation, talk to you to-day; but you would regard it as offensive if I should undertake to manipulate your conventions to secure the nomination of personal friends, or interfere in any way with your free choice in popular movements. And this is all that the order of President Hayes undertakes to prevent.

I come now to speak of some administrative reforms that are usually the subject of demagogical promises, but are always an imperative duty, which I can fairly claim has been faithfully performed by this administration. The expenses of the Government in many branches were unnecessarily large, and have been reduced with much advantage to you, but it was painful to make the reduction, from the necessity of discharging a large number of employees. This has been done in all of the Departments, but mainly in the Treasury Department, which, from the magnitude of its operations, employs throughout the United States about twelve thousand persons. In one bureau alone, that of engraving and printing, the force was reduced 505 persons, making an annual saving of \$360,000.

In the New York Custom-House the number of employees has already been reduced 176, making a saving of \$255,020, and this process has not yet ended at that port. At Baltimore the number of employees was reduced 52, and the amount saved was \$47,297. In the New Orleans Custom-House the number of employees has been reduced 87, making a saving of \$95,455. In San Francisco the reduction of expense, not yet completed, is estimated to amount to \$73,440, in Philadelphia to \$56,750, and in Boston to \$122,740. In other ports of the United States the number of employees has been reduced 48, making a saving of \$47,154, and eight appraisers, at ports where their services are no longer needed, have been dispensed with, at a saving of \$23,500. This makes a reduction in the customs service since the 4th of March, 1877, of \$721,356 a year. This process will be extended to all of the Internal Revenue officers of the United States with a very large saving of expense. The total annual reduction made thus far in the rents paid by the United States for buildings in public use by the Treasury Department is \$58,852, and as leases fall in this reduction will be largely increased.

Contracts for cutting the stone for several of the larger public buildings were founded upon the principle of the Government paying to the contractors the cost of the labor and material employed in the cutting, and fifteen per cent. added thereto. The contract for the erection of the building for the use of the State, War, and Navy Departments, was so changed as to reduce the cost more than \$700,000. Contracts for the supply of cut granite, for the Court-House at Philadelphia and the Custom-House at Cincinnati, have been modified in such a manner as will effect a saving of \$450,000. Similar changes are to be made in the contracts for cut stone for the St. Louis Custom-House, and the extension of the Post-Office and Sub-Treasury at Boston, which will doubtless be equally favorable to the Government.

A still more dangerous class of payments from the Treasury was for old claims, pending in the Treasury Department, many of them founded upon *ex parte* testimony and believed to be fraudulent. Many of these have been suspended or rejected, and new rules in regard to such claims have been adopted, which will save to the Treasury large sums of money, and I hope Congress may be disposed at its next session to revise the whole mode of auditing and paying them, which now, in many cases, exposes the Government to open and glaring fraud.

I have cited only these principal cases of administrative reform, which will be made to extend to every branch of the Government, and, no doubt, will receive the hearty coöperation of Congress. The only rule in the conduct of public business is that which a prudent man would adopt in his own. The Government ought not to be niggardly and stingy in public disbursements; it ought to receive no labor or service that it does not fairly pay for; but a waste of public money not only puts a premium on office-holding, but demoralizes all who are engaged in it. A close and careful readjustment of the civil service upon correct business principles will bring our national expenditures within the amount of such moderate taxes on whisky, tobacco, and beer, and such reasonably moderate duty on imported goods, as, while furnishing protection to our own industries, will not cripple our commerce or place our industries at a disadvantage in foreign competition. I believe the administration is perfectly willing to share with Congress in the work of these essential reforms in our civil service.

Much the largest reduction in the public expenditure has been effected in the reduction of interest on the public debt. The great body of the public debt is now payable at the pleasure of the United States at par in coin. As this debt now bears interest at six per cent., it is manifest that if money can be borrowed at a less rate the old bonds can be paid off, and the reduction of interest lessens to that extent the burden of the debt. Prior to the 1st of March my predecessor had sold fifty millions in four and one half per cent. bonds at par in coin, the proceeds of which had been applied to the redemption of six per cent. bonds. Since the 1st of March there have been sold, under the refunding act, \$135,000,000 four and one half per cent. bonds, and that amount of six per cent. bonds has been paid off or is being paid off, and canceled, thus saving to the people of the United States \$2,025,000 in coin for this year, and each year hereafter.

In May last I became satisfied that the credit of the Government was so advanced, and the money market so favorable, that I could sell at par in coin bonds of the United States bearing interest at four per cent. per annum, and, with the approval of the President, I took the responsibility of withdrawing from sale one hundred millions of four and one half per cent. bonds, and substituting four per cent. bonds. There was great doubt, among bankers and business men here and in Europe, of the ability to sell these bonds at par, and I had plenty of advice not to undertake the task. Germany, now one of the great powers of the world, had recently offered her four per cent. bonds at a discount of more than five per cent. The Russian Government, now under the stress of war, was selling its bonds at such a rate that they

yielded over eight per cent. to the purchaser. The Portuguese Government had issued a three per cent. loan at about fifty per cent. discount. Great Britain, the highest in credit of all the great nations, had sold her three per cent. consols at a large discount, and now, although they are a perpetual annuity, they are daily quoted at from ninety-four to ninety-five per cent. Still, with the favorable condition of the money market, with industries paralyzed throughout the world, with money lying idle in great hoards, with our credit untarnished, with our nation confessedly among the leading powers of the world, and with our great resources, I believed that the public interest and public duty demanded that the effort to sell these four per cent. bonds should be made, and that it would be successful.

The great national loan was opened by popular subscription in the United States on the 16th of June, and within thirty days afterward \$67,600,000 were taken in this country and \$10,200,000 in Europe, making \$77,800,000 sold. On this sum, when paid and applied to the payment of six per cent. bonds, there will be an annual saving to the people of the United States of \$1,556,000. The aggregate saving from both classes of bonds since the 1st of March, 1877, will be \$3,581,000 a year in coin. And this process of saving has just commenced. We may confidently hope that, if no adverse legislation shall be had that will injuriously affect the public credit, the entire amount of the public debt bearing interest at over four per cent., now amounting to nearly \$1,700,000,000, may, as it becomes redeemable, be converted into bonds bearing not exceeding four per cent. interest.

And now, fellow citizens, this brings me to the question upon which there is so much diversity of opinion, so many strange delusions, and that is, the question of specie payments. What do we mean by this phrase? Is it that we are to have no paper money in circulation? If so I am as much opposed to it as any of you. Is it that we are to retire our greenback circulation? If so I am opposed to it, and have often so said. What I mean by specie payments is simply that paper money shall be made equal to coin, so that when you receive it it will buy as much beef, corn, or clothing as coin.

Now the importance of this can not be overestimated. A depreciated paper money cheats and robs every man who receives it of a portion of the reward of his labor or production, and in all times it has been treated by statesmen as one of the greatest evils that can befall a people. There are times when such money is unavoidable, as during war or great public calamity, but it has always been the anxious care of statesmen to return again to the solid standard, coin. Therefore it is that specie payments, or a specie standard, is pressed by the great body of intelligent men who study these questions as an indispensable condition of steady business and good times.

Most of you will agree to all this, and will differ only as to the mode or time; but there is a large class of people who believe that paper can be, and ought to be, made into money without any promise or hope of redemption; that a note should be printed, "This is a dollar," and be made a legal tender. I regard this as a mild form of lunacy, and have no disposition to debate with men who indulge in

such delusions. They have prevailed to some extent at different times in all countries, but their life has been brief, and they have ever shared the fate of other popular delusions. Congress will never entertain such a proposition, and if it should, we know that the scheme would not stand a moment before the Supreme Court. That tribunal maintained the constitutionality of the legal-tender promise to pay a dollar only by a divided court, and on the ground that it was issued during the war, in the nature of a forced loan, to be redeemed by the payment of a real dollar; that is, so many grains of silver or gold.

I therefore dismiss such wild theories, and speak only to those who are willing to assume, as an axiom on this subject, that gold and silver, or coined money, have been proved by all human experience to be the best possible standards of value, and that paper money is simply a promise to pay such coined money, and should be made and kept equal to coined money by being convertible into it on demand.

Now, the question is as to the time and mode by which this may be brought about, and on this subject no man should be dogmatic, or stand without yielding upon a plan of his own, but every man should be willing to give and take, securing the best expedient that public opinion will allow to be adopted. The purpose and obligation to bring our paper money to the standard of coin have been over and over again announced by acts of Congress and by the platforms of the great political parties of the country. If resolutions and promises would bring about specie payments, we should have been there long ago; but the diversity of opinion as to the mode now—twelve years after the close of the war—still leaves our paper money at a discount of five per cent. Until this is removed there will be no new enterprises involving great sums, no active industries, but money will lie idle and watch and wait the changes that may be made before we reach the specie standard.

In 1869 Congress pledged the public faith that the United States would pay gold or silver dollars for United States notes. Again, in January, 1875, after more than a year's debate, Congress declared that by the 1st of January, 1879, the United States would pay its notes in coin. The Secretary of the Treasury is expressly required to prepare for, and maintain, the redemption of all United States notes presented at the Treasury on and after that date, and for that purpose he is authorized to use all the surplus revenue, and to sell at par in coin bonds of the United States bearing four, four and one half, and five per cent. interest. It is this law, called the resumption act, now so much discussed in the papers, that imposes upon the office I hold most difficult and important duties; and without replying to any attacks made upon me, I am anxious to submit to you, personally, what I have done and must do in obedience to the provisions of this act. It is said that the law is defective; but, if the great object and policy of the law are right, the machinery of the law could easily be changed by Congress. That resumption can be secured and ought to be secured under this law, it will be my purpose to show you, and I shall not hesitate to point out such defects in the law as have occurred to me in executing it.

There are two modes of resumption, either by diminishing the

amount of notes to be redeemed, which is commonly called a contraction of the currency, or by the accumulation of coin in the Treasury, to enable the Secretary to maintain specie payments. The one practical defect in the law is, that the Secretary is not at liberty to sell bonds of the United States for United States notes, but must sell them for coin. As coin is not in circulation among the people, he is practically prohibited from selling bonds to the people, except by an evasion of the law or through private parties. Bonds are in demand and can readily be sold at par in coin, and still more easily at par, or at a premium, in United States notes. The process of selling for United States notes would not go far before the mere fact that they were receivable for bonds would bring them up to par in coin, and that is specie payment.

But the reason of the refusal of Congress to grant this authority, often asked of it, was that it would contract the currency, and this fear of contraction has thus far prevented Congress from granting the easiest, plainest, and surest mode of resumption. To avoid contraction, it provided that national-bank notes might be issued without limit as to amount, and that, when issued, United States notes should be retired to the extent of four fifths of the bank notes issued. This was the only provision for redeeming United States notes that Congress made or would make, and this, it was supposed, would reduce the United States notes to \$300,000,000 before January 1, 1879. The actual experiment only proves the folly of the cry we had for "more money, more money."

Here was free banking, a free and almost unlimited right to everybody to issue more money; but unluckily for visionary theorists, it was money that had to be protected by the deposit of securities, not wild-cat money, but money that people could sleep upon without fear of the bank's breaking. The result is that under free banking the issue of circulation has been far less than was expected, and, therefore, the reduction of United States notes has been less. Still there was some reduction. Greenbacks have been retired under the act of January, 1875, to this time to the amount of \$22,905,700, and nearly twenty-nine millions of circulation have been issued to national banks. Since the 1st of March last the reduction of United States notes has been \$5,142,264, and this reduction was preceded by the issue to banks of new circulation, amounting to nearly \$6,500,000.

I do not say that this is the only reduction of the currency that has taken place, but it is the only reduction that has been made by the United States. The national banks, under a different law, and from the very necessity of free banking, are at liberty to retire their currency as well as to increase it, and this has been done by them since the first of January, 1875, to the amount of \$36,624,612. But this is a reduction effected by each bank, guided by its own interest, and the circulation it can safely and prudently maintain.

There are now deposited with the Treasury by private corporations, banks, and individuals, \$57,170,000 of United States notes. Of this there were deposited by the national banks on June 22d, the date of their last statement, \$44,450,000, and they have, in the cash reserve held by them, \$42,500,000 more than the amount required by law,

clearly showing that there will be no lack of currency when it shall be demanded for the requirements of business.

Since January 1, 1877, the United States has issued \$34,236,000 of silver coin, and has redeemed with that coin \$21,980,000 fractional currency, now almost superseded by silver coin, and it also holds \$8,160,858 of United States notes for the redemption of fractional currency still outstanding. In this there was no contraction, but merely a substitution of coin for fractional currency.

It was an error to make the retirement of United States notes depend upon the issue of bank notes. The two had no relation to each other, but the retirement of United States notes should depend entirely upon the amount necessary to be withdrawn, to advance the residue to par in coin within the fixed time. The simplest mode of doing this was to authorize their conversion into bonds at the pleasure of the holder, the bonds to bear the lowest rate of interest that would in ordinary times maintain them at par in gold. To this the objection is made that we convert a non-interest-bearing note into an interest-bearing note; but what right have we as a nation, or has any bank or individual, to force into circulation as money its note, upon which it pays no interest? Why ought not any one who issues a promise to pay on demand to be made to pay it when demanded or pay interest thereafter? What right has he, in law or justice, to insist upon maintaining in circulation his note which he refuses to pay according to his promise, and which he refuses to receive in exchange for a note bearing interest? A certain amount of United States notes can be, and ought to be, maintained at par in coin, with the aid of a moderate coin reserve held in the Treasury, and to the extent that this can be done they form the best possible paper money, a debt of the people without interest, of equal value with coin, and more convenient to carry and handle. Beyond this the issue of paper money, either by the Government or banks, is a dangerous exercise of power, injurious to all classes, and should not continue a single day beyond the necessities that gave it birth.

But, if Congress should see proper to confine the process of resumption to the present law, we have still the second mode of resuming, by accumulating coin gradually, so that when the time fixed for resumption arrives, the Treasury may be able to redeem such notes as are presented. In this respect the resumption act is as full and liberal as human language can make it. The Secretary is authorized to prepare for resumption, and for that purpose to use the surplus revenue and to sell any of the three classes of bonds, all of which are now at or above par in coin. The power, if not repealed, can be, ought to be, and will be exercised.

This accumulation, both of silver and gold, can be made by arresting the exportation of our production of these metals. This is more than sufficient to supply our wants for this purpose, and, fortunately, we have for export plenty of other productions—corn, cotton, wheat, and fabrics, the fruit of our industry. This country is the greatest producer of gold and silver in the world. The balance of foreign trade is in our favor. During the last fiscal year our exports exceeded our imports in gold value by the sum of \$166,555,855, and this balance is

steadily increasing. This year Providence has blessed us with an enormous crop of almost every production of the farm or plantation, and the foreign demand is largely increased by the Russian war. Russia is our great competitor in supplying Europe with bread, and she now will consume her own products. We have now reached the coin basis in the production of commodities for the foreign market. Our exportation of home fabrics has increased and is increasing, and we are now competing with Manchester and Birmingham in the sale of products that have made those cities famous throughout the world. Our manufactures of cotton, iron, and wool, now rival in foreign markets the productions of the oldest countries of Europe.

During the five months of President Hayes's administration, we have made an actual accumulation of currency, and of gold and silver coin and bullion, of \$44,340,832. From the 1st of May to this time we have added to our coin reserve \$20,000,000 by the sale of bonds, without disturbing the money market and with gold steadily on the decline. We have reduced the public debt since the 1st of March by the sum of \$29,441,824. We have conducted the vast operations in our loans, already referred to, without disturbing the course of trade or causing a shipment of gold. All the fears of these movements have been proved to be groundless.

We are now within five degrees of the specie standard. We have still seventeen months before us in which to complete the task. The same progress that has been made since the 1st of March, continued twelve months longer, will certainly bring us to specie payments. I feel confident in saying to you this day that, if undisturbed, with or without a change of the law, every dollar of United States notes will before the time fixed for resumption buy as much as can be bought with an equal amount of either gold or silver. A construction of the resumption act has often been pressed upon the Department which, if correct, would make it still more easy to carry it into execution. It is insisted that the Secretary has the power, in preparing for resumption, to sell bonds for coin, and then to sell the coin for United States notes to be hoarded in preparation for resumption. The Department has not acted upon any such construction, but has sold gold only in the current course of business, or for the actual redemption of notes supplanted by national-bank notes. If this power is exercised, it should be only in pursuance of the plain will of Congress. In the execution of so delicate a duty, no power should be used except such as is clearly given.

The act of April, 1876, for the redemption of fractional currency, provides that silver coin may be issued in exchange for United States notes, and that such notes shall be held as a special fund for the redemption of fractional currency. This fund and the ordinary currency balance in the Treasury embrace the only paper money owned by the Government. The coin and legal tenders deposited in the Treasury are the property of private individuals, over which it has no control.

I have, fellow citizens, I hope without wearisome detail, gone over some points on this question of resumption. It is a dull but important topic, which affects your daily affairs, and upon which my official duty

compels me to act, and I assure you that I have acted only from the clearest convictions of public interest.

A currency of United States notes based upon the public credit, always convertible into coin, and so limited in amount and supported by reserves that its convertibility cannot be endangered, supplemented by a bank currency free and open to all alike, based upon public securities, so that in any event the note-holder is safe from loss, always redeemable in coin or United States notes, unlimited in amount except by the wants of business—this is the kind of paper money that will start again the wheels of industry, swell out the sails of your commerce, and give employment to your artisans. This, indeed, would be the best paper currency in the world. Let this currency be supported by a public credit against which no whisper of doubt can be uttered, and your public debt will be reduced to its lowest possible burden of interest, and will become the great depository of the savings of labor, the trustee of the widow and orphan, the safe rest of capital not employed in active industries.

These, as I understand them, are the great financial objects of this Administration; and with your permission and the approval of Congress, the President may hope to celebrate his out-going with your debt reduced to four per cent., and every note of the United States worth par in the best coin issued from the mint. You now stand in the forefront of this battle. I beseech you to uphold his hands, and not let the delusions of the hour or the temporary languor of business, which you share with the rest of the civilized world, turn you from a policy which you have approved and the fruits of which you can now hope to gather.

It is very common, fellow citizens, to hold the Government responsible for hard times caused by the ebb and flow of trade and production. If the crop fails, the Administration is abused. If wages or prices fall, the Government is blamed. If production exceeds the market made by consumption, it is easier to abuse some officer of the Government than to find out the real cause. And so it happens that, under any Government, whatever may be its form, if a panic, or hard times, or over-production, or a pestilence, famine or plague comes, the men in office are made the scape-goats for troubles which it is far beyond their power either to produce or to remedy. And so now, when throughout the world trade is languishing, and wages have fallen, and industry does not reap its usual reward, it is common for demagogues to say, "turn out the Administration and put us in and all will be well." Such arguments are fit only for fools. Human governments can have but little influence over the causes that produce the rise and fall of prices, the abundance or want of employment. These great movements are governed by higher laws, and the puppets that for the time hold official authority have no more influence over them than flies have over the revolution of the wheel to which they cling. At this time our country is the most prosperous in the world, though we suffer, to some extent, from the same causes that bring stagnation to the industries of all commercial countries.

I have here copious extracts from papers published in England,



Belgium, Germany, and France, all nations of wealth and power, in profound peace, and all suffering from extreme adversity and depression in trade and prices. The iron trade in England has passed through extreme depression, during which some of the largest and wealthiest manufacturing concerns had to succumb to the severe reaction, while operatives suffered in the greatest degree from the increased supply of labor and greatly diminished prices. It has fallen off nearly fifty per cent. The Belgian iron trade was almost extinguished and the workmen employed driven to other pursuits. This industry is the one that has suffered most in our own country, but we are rapidly recovering by unbounded natural resources, and by reduced cost of production. I have before me an English paper showing that the exports of cotton fabrics from Manchester, especially to the United States, have been largely reduced. The quantity of cotton goods shipped to this country has fallen off in five years from 129,000,000 yards to 59,000,000 yards, and that of woolen goods from 6,000,000 yards to 1,478,000 yards; while our own production has enormously increased, and we are now exporting both cottons and woolens. In Germany, of thirty-two companies enumerated in a table I have before me, only six show any dividend whatever for the last year, and the aggregate accounts show a loss of \$1,800,000 on the year's operations. As to the silk trade in France, which is one of the great branches of the industry of that country, it appears, from a paper I have before me, that there are about 30,000 silk looms at Lyons, and nearly half of these are now idle. The number of weavers now out of employment is roughly estimated at from twelve to fifteen thousand. I might supplement these general statements by picturing the distress in all these great and rich countries, compared with which the great suffering of our people is insignificant. With us the worst is over, and the vast industry which gives employment to the great body of our people—that of agriculture—is now extremely prosperous. It is a common saying that "the farmers are growing rich," and as they grow rich other industries will thrive, and trade revive. To attribute the distresses, which I know you suffer in common with the rest of mankind, to any causes growing out of the administration of our Government, is extreme folly. Unlike the laws of most European countries, our laws are framed, as far as possible, to promote industry, to protect labor, and to distribute wealth. Here we give to every man the same privileges, civil and political, whether he be rich or poor, and whatever may be his condition in life. He must enter into competition with others, but there are no discriminations against him. The remedy for periodical depressions no human hand can point out or administer. That must be the result of time, of industry, of economy. No doubt soon, industry will revive, and we may expect a season of prosperity. The poor do not suffer alone from hard times. The first blow always falls upon those who have property investments, which are swept away, and then the evil affects all classes alike. All that you can ask of the Government is that it will administer the limited powers conferred upon it with the same intelligence and economy that you would expect of private citizens, doing all it can within those powers to confer the greatest good upon

the greatest number. This, I believe, is now being done by the National Government.

Every man of you is deeply interested in the strength and power of this Government, though its operations may be far from you. This was shown in the important services rendered by the general Government in the recent widely extended strikes by the employees of railroads, which reached from Philadelphia to New Orleans, affected all the great trunk lines of the country, and for a time paralyzed several powerful States. For a time they threatened civil war and anarchy, and caused great destruction of life and property. The Administration was called upon by the Governors of West Virginia and Maryland, two Democratic States, to aid in putting down domestic violence. Our small army was scattered over the Western country. The last House of Representatives had refused to appropriate for pay or supplies for the army, lest, forsooth, it might be used in a State to put down domestic violence. Those calls were promptly met by President Hayes, and, by a judicious use of the small force at his command, and the skillful action of the officers in command, especially of General Hancock and General Schofield, the regular army was the chief means of suppressing domestic violence extending to many States, and which could almost be ranked as civil war. No just man will withhold from the Administration fair praise for a difficult task well done. These strikes bring prominently into American politics the contest between capital and labor that for many years disturbed Great Britain, and was the cause of the atrocities of the reign of terror during the French Revolution in 1793. Happily, in this country our strikes have been local and unimportant, but the great change made in our industries since the war, the enormous enlargement of our mining and manufacturing industries, the great increase in the number of corporations and their extended power and influence, compel us to consider this question, and, if possible, to find a remedy. When labor is chiefly confined to the cultivation of the soil on separate farms, no contest between capital and labor can arise, and when, as in former times, our mechanics were independent artisans, each working either alone or with a few others in shops scattered throughout the country, there could be no such trouble. But when great corporations or individuals employ large numbers of persons who depend upon their daily labor for their daily bread, and whose wages may be affected at any time by the will of the capitalist, there has been, and always will be, an irrepressible conflict between the man who furnishes or directs the capital and the laborer who does the work. When to this was added the fact that, by recent consolidations, great railroad companies have been formed, each doing a transportation business larger than the whole transportation on the Mississippi or on the lakes in the North, with officers possessing the power to change at pleasure the rate of freight, and the wages of employees, it was inevitable that the conflict should some time come between the corporations and their employees.

Let me illustrate the enormous power that is now practically concentrated within the will of four men. When the war broke out the common cry of the West was that no rebel cannon should threaten the

commerce of the Mississippi Valley. Our commerce should flow un-taxed to the sea. The entire tonnage passing any given point on the Mississippi River is now estimated to be 3,000,000 tons. The great lakes on the North have been spoken of since the discovery of America as the wonderful provision of Nature for the vast internal commerce of the continent. The whole tonnage passing a given point on the line of the lakes is about 3,000,000 tons. The Erie canal in New York, from Buffalo to Albany, has been extolled as a work of master statesmen, which has contributed more to the interior development of this country than any other single work, and has immortalized the names of De Witt Clinton and others. The entire tonnage of this canal during the last year is officially stated at 2,418,423, and of all the New York canals, including the Erie, at 4,172,179 tons. These three water arteries of commerce, two natural and one artificial, float a tonnage of 10,172,179 tons, and a few years ago were, practically, the sole means of transit between the East and the West and the North and the South. Now, within a very few years, and mainly since the close of the war, there have been built up four grand trunk lines of railway reaching from the Atlantic seaboard far away into the West, with their lines in all directions like the branches of great trees, their organization extending to almost every hamlet in the Mississippi Valley or the Atlantic slope, and a commerce so vast that in comparison with it the great water lines of communication become insignificant.

Last year the Erie Railway carried 5,922,911 tons; the New York Central Railway carried 6,803,680 tons; the Pennsylvania Railroad carried 9,922,911 tons; and the Baltimore and Ohio Railroad is estimated to have carried 5,000,000 tons; or an aggregate of 27,649,502 tons, being nearly three times as much as the entire commerce by water. This immense commerce, which touches the business and home and life of every citizen of the United States, East or West, within the reach of its influence, is controlled in all its parts by the ultimate will of four men; for, though there are many agents employed in this vast business, with boards of directors and intermediate superintendents, yet, practically, the executive and controlling power of these great corporations rests with their presidents, whose will or pleasure may raise the freight on produce, and thus affect every farmer in the land, or may raise or lower the wages of every employee, and thus affect the bread and life of every one dependent upon these laboring men.

It is just to say that the gentlemen holding these important positions are among the ablest and most sagacious of the business men of this country, but they must necessarily be governed in the main by the interests of the corporations they represent, and must look to those interests as the dominating and controlling motive that guides their acts. A few years ago the freight on these roads was deemed to be unduly high, and this aroused the whole farming interest of the West, under the name of Grangers, who were able to secure hostile legislation in some of the States, and so to control public opinion that the freights in due time were reduced. But, more potent than all, the sudden depression of business caused by the panic of 1873 led to a rivalry and competition between these great lines that in a short time reduced the

rates for freight and passengers below the actual cost of the business, thus tending to destroy the capital invested in more than two thirds of the railway lines in the United States, and greatly crippling the financial condition of the trunk lines. These corporations have endeavored in various ways to come to an agreement; but either because they were not faithfully observed, or from the inherent difficulty of making combinations between powerful rivals, the agreements have been successively broken and abandoned, and now it may be said that, on an average, the amount received for freight and passengers does not pay the actual cost of running the lines. The result has been that the railroad companies, unwilling to see their property entirely destroyed, have gradually reduced the wages of the employees until—if we can believe what has been said—in some cases they are barely sufficient to pay for the merest necessaries of life. Hence the strikes.

It has always been feared that our Republican system of Government, which depends upon the will of the majority, could not long survive the condition of affairs developed by these strikes. Macaulay and Alison have both described, in prophetic language, the effects of a struggle between capital and labor in a government like ours, but, like most English writers, they overlooked the strong conservative power in a government by the people, where the majority must always be independent farmers, mechanics, and working men who have respect for law, religion, and order. We have, no doubt, large numbers of men who will not reason about this matter, but will rush to the torch or to crime to cure what they regard as wrongs, but the great body of our people have always shown sufficient moderation and intelligence to lead them to find a peaceful and proper remedy for all the ills which life may develop.

And now, fellow citizens, I beg you not to believe that this is an easy task, and not to reject counsels of moderation and forbearance. The laborer is worthy of his hire, and, in this country especially, should always receive enough to maintain his family in decency and comfort. But we can not secure this great blessing by intimidating capital, by burning houses, by preventing other people from laboring, or by any violence or crime. Capital, when threatened, shrinks away, and without it your labor cannot be employed. You can encourage its employment only by a reasonable prospect of a just reward in the way of interest or profit.

I will not undertake in this speech to state ideas that have become settled convictions, because it would take too long; but my conclusion years ago, when this subject was under debate in the Senate, was that the framers of the Constitution had wisely provided an authority to govern, by general laws, inter-State railways, and that in this way controversies between capital and labor may be prevented where they affect the commerce of the country. That authority is the Congress of the United States. No State is broad enough to deal with this question, for these railroad lines extend through many States. No local authority can deal with it, because the local authorities may be overawed, or act under the influence of passion or resentment. Mayors and governors, and local militia, are well enough for the ordinary pro-

tection of society, but they are not fitted to deal with a contest between great bodies of citizens in the same community, where the divisions are so wide and broad as to amount to domestic violence or civil war. The Congress of the United States is expressly authorized to protect a State against domestic violence, and to regulate commerce with foreign nations and among the several States, and the inter-State commerce thus provided for is now conducted mainly by these great lines of railway. The framers of the Constitution could not foresee railroads, or the vast extension of our country and its varied interests; but they did provide that commerce, in all its forms, foreign and domestic, by whatever agency conducted, might be controlled by an authority more free from local prejudice than any other that could be selected. My hope, then, is that Congress will pass laws to establish and limit maximum rates of freight, so that the production of a farmer may not be in danger of confiscation by exorbitant rates; that it will limit and restrain the reduction of freights so as to destroy the ability of railroad companies to pay fair prices for honest labor, and that it will prevent them from making paupers of men who perform essential functions in commerce. Congress may thus, by wise general laws, control the most powerful corporations as well as the humblest citizens.

All men ought, however, to understand, whatever may be their wrongs or injuries, that in our free system there is but one remedy, and that is by peaceful, lawful appeals to the constituted authorities, both State and National. No man has a right to redress his injuries by violence or crime. No government can live where mobs can make laws and prevent laborers from working. The right of a laborer to refuse to work without such pay as he demands is clear and unquestionable; but, whatever civil remedies the law may give him, he can not resort to violence to prevent either the movement of commerce or the employment of others, without endangering our whole system and encountering the full force and power of the Government. The very fact that the stopping of trains on the four great lines of railway would bring hunger and want to millions of laboring people, and deprive other millions of a market for their produce, would array against striking laborers who resorted to violence not only the whole power of the Government, but the moral and physical force of the remainder of the community. When laboring men, or any class of men, resort to violence and crime to protect even real rights, they must be dealt with in the same way as others who violate the law, however much men may sympathize with their distress. I am stating only what the law has always provided, and I state it with full sympathy in an honest demand by laboring men for fair wages for a fair day's work. We must obey the law and we must punish any violation of the law. Life and property must be protected. These are the conditions upon which society exists, and no party can temporize or hesitate in the face of an open revolt against these principles of public order. But, while this is true, we must not fail to examine the complaint of the humblest citizen and give him all the protection and all the remedy that a just Government can give.

And now, fellow citizens, in conclusion, allow me to express, so far

as language enables me, my heartfelt thanks for the courtesy and kindness you always have shown me, not only during this short visit, but in all the time I have lived among you. I can only say, I thank you.

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## ANNUAL REPORT TO CONGRESS.

TREASURY DEPARTMENT,  
WASHINGTON, D. C., *December 3, 1877.*

SIR :

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The contract of August 24, 1876, made by the Secretary of the Treasury with certain parties, for the negotiation of \$300,000,000 four and one half per cent. bonds, had so far been executed on the 1st of March, 1877, that \$90,000,000 had been sold to the associated contractors, and calls had been made for the redemption of a like amount of five-twenty bonds.

While the contract expired in terms on the 30th day of June, 1877, it contained a stipulation that it might be terminated by the Secretary of the Treasury, upon ten days' notice, after the 4th of March, 1877.

In May last it became apparent to the Secretary that, by a favorable change in the money market, four per cent. bonds could be sold at par, in coin, with great advantage to the Government; and, availing himself of the privilege secured by the contract, he gave notice that he would limit the sale of four and one half per cent. bonds to \$200,000,000.

On the 11th day of May it was agreed that a portion of the latter should be sold under the authority of the resumption act for resumption purposes, and subscriptions were rapidly made until the aggregate reached \$200,000,000, of which \$185,000,000 were applied to the redemption of an equal amount of six per cent. bonds.

On the 9th day of June, 1877, the Secretary entered into a contract with a portion of the previously associated parties for the sale at par, in coin, of the four per cent. bonds of the United States, authorized to be issued by the refunding act. This contract was in substance similar to previous contracts, but was to terminate on the 30th day of June, 1878, with the right reserved to the United States to terminate it at any time after the 31st of December, 1877, by giving ten days' notice thereof to the contracting parties. This contract also contained a stipulation, as follows :

It is also agreed that the parties of the second part shall offer to the people of the United States, at par and accrued interest in coin, the four per cent. registered consols and four per cent. coupon consols of the denominations of \$50 and \$100 embraced in this contract, for a period of thirty days from the public notice of such subscriptions, and in such cities and upon such notice as the Secretary of the Treasury may prescribe prior to the opening of the lists; and further, to offer to the subscribers the option of paying in installments extending through three months.

Under this contract, invitations having been published, subscriptions to this loan were opened on the 16th of June, 1877. Within the period

of thirty days thereafter the subscriptions had reached the sum of \$75,496,550, which were payable within ninety days from the date of subscription, or on or before the 16th of October. Every subscription to these bonds has been paid, and of the proceeds \$50,000,000 have been applied to the redemption of an equal amount of six per cent. bonds. The residue has been applied to resumption purposes, as hereafter stated. The annual reduction of interest on the public debt thus made is as follows :

By the sale of \$185,000,000 four and one half per cent. bonds.....	\$2,775,000
By the sale of \$50,000,000 four per cent. bonds.....	1,000,000
	\$3,775,000
Aggregating.....	\$3,775,000

In October last, after the payment of the popular subscriptions, arrangements were perfected to open further subscriptions to the four per cent. loan, and a call was about to issue for ten millions of six per cent. bonds; but it was temporarily postponed by reason of the agitation of the repeal of the resumption act and the remonetization of silver, which the associates believed would prevent further sales of these bonds. For this reason they declined to offer them, and no further call of six per cent. bonds was therefore made.

On the 19th of June, pending the subscriptions, the Secretary informed the associates, in an official letter, that, as the Government exacts in payment for these bonds their face value in gold coin, it was not anticipated that any future legislation of Congress, or any action of any department of the Government, would sanction or tolerate the redemption of the principal of these bonds, or the payment of the interest thereon, in coin of less value than the coin authorized by law at the time of their issue—being gold coin. The general confidence of the public that so just a principle of good faith would be observed by the Government no doubt largely contributed to the success of the loan. Whatever policy the Government may adopt at any time in its system of coinage, it should not reduce the value of the coin in which it pays its obligations below that it demanded and received. The Secretary earnestly urges Congress to give its sanction to this assurance.

The high credit of the United States, the faithful observance of its public obligations, the abundance of its wealth and resources, the rapid reduction of its debt, the great accumulation of savings among the people, the favorable state of foreign trade—all contribute to enable the United States to borrow both from its own people and in foreign markets on the most favorable terms.

The Secretary does not doubt that, if no questions had arisen disturbing the public credit, the six per cent. bonds would be rapidly paid off by the proceeds of the four per cent. bonds, sold at par in coin or its equivalent.

The highest public credit can be secured only by a constant observance of every public engagement, construed according to its letter and spirit. Thus far this course has been faithfully pursued by the United States. Without it, our ample resources and ability to pay are of no avail. At a time when we are enjoying such credit, and rapidly securing the benefit of it by the reduction of the rate of interest from

six to four per cent., it would seem to be a grievous error to raise a question about the coin in which the interest is payable. Self-interest alone, without respect to pride in public credit, would lead us to secure so great a benefit as would be the saving of one third of the interest of the public debt.

Of the six per cent. loans about \$660,000,000 are now redeemable at the pleasure of the United States, and of the whole debt \$1,452,000,000 are redeemable before or on the 1st of May, 1881. By the reduction of the interest from six to four per cent. on the public debt now redeemable, there would be a saving of \$13,200,000 annually; and by the reduction to four per cent. of the interest on the total debt redeemable by the 1st of May, 1881, there would be a saving of \$22,006,205.50 per annum.

Any measure that creates distrust or doubt will arrest this process, and, by disabling the United States from borrowing, will compel the continued payment of the high rate of six per cent.

If, therefore, the public interests demand the issue of silver dollars—a subject hereafter discussed—it is respectfully submitted to Congress that an express exception be made requiring that gold coin alone shall be paid for principal or interest on bonds issued to public creditors since February 12, 1873, the amount of which is \$592,990,700. These bonds have entered into the markets of the world. If the market value of the silver in the new coin is less than that of the gold dollar, a forced payment in the new coin is a repudiation of a part of this debt. The saving that would thus be made is utterly insignificant compared with the injury done to the public credit.

And even as to bonds issued prior to February 12, 1873, public policy and enlightened self-interest require us to pay them in the coin then in circulation and contemplated by both parties as the medium of payment. Silver dollars have not been in circulation in the United States since 1837, and since 1853 fractional silver coins have been in circulation and a legal tender only for limited sums, and have not been contemplated as the medium of payment since any considerable portion of the outstanding bonds were issued. The silver dollar was, in fact, more valuable than the gold dollar. It does not become a nation like ours to avail itself of the market depreciation of silver to gain a small saving by the payment of silver dollars instead of the coin contemplated when the bonds were issued. A far greater saving and higher public honor can be secured by the sale of four per cent. bonds under the refunding act and the payment of outstanding bonds in gold coin. An assurance given by Congress of such payment would at once secure the complete success of the refunding process and greatly advance the present high credit of the United States.

Another practical impediment in the sale of bonds was that, under the law, the Secretary could receive coin alone in payment for them, and the only existing coin that could be received, under the law, was gold coin. As this was not in general circulation, it was impracticable for the people to pay it into the Treasury for these bonds. Therefore it became necessary to conduct all sales through third parties, who could receive bank bills, United States notes, drafts, certificates, and



other forms of commercial paper, and convert them into coin. The Secretary, therefore, recommends that he be authorized to sell such bonds either for coin or for its equivalent in United States notes.

By the resumption act approved January 14, 1875, the Secretary of the Treasury is required to redeem legal-tender notes to the amount of eighty per centum of the sum of national-bank notes issued, and to continue such redemption, as circulating notes are issued, until there shall be outstanding the sum of \$300,000,000 of such legal-tender United States notes, and no more.

In obedience to this act, there have been issued since March 1, 1877, to national banks, \$16,123,995 of circulating notes, and there have been redeemed, retired, and canceled \$12,899,196 of United States notes, leaving outstanding on the 1st instant the sum of \$351,340,288.

By the same act it is provided that, on and after the first day of January, 1879, the Secretary of the Treasury shall redeem in coin the United States legal-tender notes then outstanding, on their presentation for redemption at the office of the Assistant Treasurer of the United States in the city of New York, in sums of not less than fifty dollars. "And, to enable the Secretary of the Treasury to prepare and provide for the redemption in this act authorized or required, he is authorized to use any surplus revenues from time to time in the Treasury not otherwise appropriated, and to issue, sell, and dispose of, at not less than par in coin, either of the descriptions of bonds of the United States described in the act of Congress approved July 14, 1870, entitled 'An act to authorize the refunding of the national debt,' with like qualities, privileges, and exemptions, to the extent necessary to carry this act into full effect, and to use the proceeds thereof for the purposes aforesaid."

In obedience to this provision, the Secretary has sold at par, for coin, \$15,000,000 four and one half per cent. bonds, or \$5,000,000 during each of the months of May, June, and July last, and has sold \$25,000,000 at par in coin of four per cent. bonds, or \$5,000,000 for each of the months of August, September, October, November, and December. Of the coin thus received, \$4,000,000 have been sold for the redemption of United States notes, and the residue is in the Treasury. The surplus revenue has also, under the same authority, been applied to the redemption of the residue of United States notes, not redeemed by the sale of coin as above stated, and the balance is held in the Treasury in preparation for resumption.

These operations, aided greatly, no doubt, by the favorable condition of our foreign commerce, have advanced the market value of United States notes to ninety-seven and three eighths per cent., or within nearly two and a half per cent. of coin. They have also conclusively demonstrated the practicability of restoring United States notes to par in coin by the time fixed by law, and that without disturbing either domestic or foreign trade or commerce. Every step has been accompanied with growing business, with the advance of public credit, and the steady appreciation of United States notes. The export of bullion has been arrested, and our domestic supply has accumulated in the Treasury. The exportation of other domestic products has been largely increased,

with great advantage to all industries. The course adopted under the resumption act, as herein set forth, if pursued, will probably be followed with like favorable results, and a sufficient fund for the maintenance of resumption will doubtless accumulate in the Treasury at or before the date fixed by law. The provision for free banking has aided this process by allaying imaginary fears that would otherwise have been aroused by the withdrawal of United States notes.

The Secretary can not too strongly urge the firm maintenance of a policy that will make good the promise contained in the United States notes when issued—a promise repeated in the act “to strengthen the public credit,” approved March 18, 1869, and made definite and effective by the resumption act.

Dishonored notes, less valuable than the coin they promise, though justified by the necessity which led to their issue, should be made good as soon as practicable. The public credit is injured by failure to redeem them. Every holder who was compelled by law to receive them has been deprived of a part of his just due. Now, when our national resources are ample, when the process of appreciation is almost complete, when the wisdom of the existing law has been demonstrated, it is the dictate of good policy and good faith to continue this process of preparation, so that at or before the time fixed by law every United States note will have equal purchasing power with coin. To reverse this policy in the face of assured success will greatly impair the public credit, arrest the process of reducing the interest on the public debt, and cause anew the financial distress our country has recently suffered.

The resumption act contemplates the reduction by the first day of January, 1879, of the amount of United States notes to \$300,000,000, by the cancellation of such notes to the extent of eighty per cent. of the circulation issued to national banks.

The amount of circulation so issued may not be sufficient to accomplish the reduction contemplated; the Secretary therefore recommends that authority be given to gradually fund into four per cent. bonds all United States notes in excess of \$300,000,000, the bonds to be issued at par for coin or its market equivalent in United States notes. This will be in harmony with the declared object of existing law, and will open an easy way by which the people may invest their savings in a public security. Or the reduction of United States notes to the maximum of \$300,000,000 may be accomplished if Congress will authorize the coinage of the silver dollar, to be exchanged for United States notes on the demand of the holder, such notes to be retired and canceled.

Existing laws do not clearly define whether United States notes, when redeemed after January 1, 1879, may be reissued. The first section of the resumption act plainly provides for the permanent substitution of silver coin for the whole amount of fractional currency outstanding. Section 3 plainly provides for the permanent reduction of United States notes to an amount not exceeding \$300,000,000. No distinct legislative declaration is made in the resumption act that notes redeemed after that limit is reached shall not be reissued; but section 3579 of the Revised Statutes of the United States provides that, “when any United States notes are returned to the Treasury, they may be re-

issued from time to time, as the exigencies of the public interest may require."

The Secretary is of the opinion that, under this section, notes, when redeemed after the 1st of January, 1879, if the amount outstanding is not in excess of \$300,000,000, may be reissued as the exigencies of the public service may require. A note redeemed with coin is in the Treasury, and subject to the same law as if received for taxes, or as a bank note when redeemed by the corporation issuing it. The authority to reissue it does not depend upon the mode in which it is returned to the Treasury. But this construction is controverted, and should be settled by distinct provisions of law. It should not be open to doubt or dispute. The decision of this question by Congress involves not merely the construction of existing law, but the public policy of maintaining in circulation United States notes, either with or without the legal-tender clause. These notes are of great public convenience: they circulate readily; are of universal credit; are a debt of the people without interest; are protected by every possible safeguard against counterfeiting; and, when redeemable in coin at the demand of the holder, form a paper currency as good as has yet been devised. It is conceded that a certain amount can, with the aid of an ample reserve in coin, be always maintained in circulation. Should not the benefit of this circulation inure to the people, rather than to corporations, either State or national? The Government has ample facility for the collection, custody, and care of the coin reserves of the country. It is a safer custodian of such reserves than a multitude of scattered banks can be. The authority to issue circulating notes by banks is not given to them for their benefit, but for the public convenience, and to enable them to meet the ebb and flow of currency caused by varying crops, productions, and seasons. It is indispensable that a power should exist somewhere to issue and loan credit money at certain times, and to redeem it at others. This function can be performed better by corporations than by the Government. The Government cannot loan money, deal in bills of exchange, or make advances on property.

The Secretary ventures to express the opinion that the best currency for the people of the United States would be a carefully limited amount of United States notes, promptly redeemable on presentation in coin, and supported by ample reserves of coin, and supplemented by a system of national banks, organized under general laws, free and open to all, with power to issue circulating notes secured by United States bonds deposited with the Government, and redeemable on demand in United States notes or coin. Such a system will secure to the people a safe currency, of equal value in all parts of the country, receivable for all dues, and easily convertible into coin. Interest can thus be saved on so much of the public debt as can be conveniently maintained in permanent circulation, leaving to national banks the proper business of such corporations, of providing currency for the varying changes, the ebb and flow of trade.

The legal-tender quality given to United States notes was intended to maintain them in forced circulation, at a time when their depreciation was inevitable. When they are redeemable in coin this quality

may either be withdrawn or retained, without affecting their use as currency in ordinary times. But all experience has shown that there are periods when, under any system of paper money, however carefully guarded, it is impracticable to maintain actual coin redemption. Usually contracts will be based upon current paper money, and it is just that, during a sudden panic or an unreasonable demand for coin, the creditor should not be allowed to demand payment in other than the currency upon which the debt was contracted. To meet this contingency, it would seem to be right to maintain the legal-tender quality of the United States notes. If they are not at par with coin, it is the fault of the Government and not of the debtor; or, rather, it is the result of unforeseen stringency not contemplated by the contracting parties.

In establishing a system of paper money designed to be permanent, it must be remembered that heretofore no expedient has been devised, either in this or other countries, that in times of panic or adverse trade has prevented the drain and exhaustion of coin reserves, however large or carefully guarded. Every such system must provide for a suspension of specie payment. Laws may forbid or ignore such a contingency, but it will come; and, when it comes, it cannot be resisted, but should be acknowledged and declared, to prevent unnecessary sacrifice and ruin. In our free government the power to make this declaration will not be willingly intrusted to individuals, but should be determined by events and conditions known to all. It is far better to fix the maximum of legal-tender notes at \$300,000,000, supported by a minimum reserve of \$100,000,000 of coin, only to be used for the redemption of notes not to be reissued until the reserve is restored. A demand for coin sufficient to exhaust such a reserve may not occur; but, if events force it, its existence would be known and could be declared, and would justify a temporary suspension of specie payments. Some such expedient could no doubt be provided by Congress for an exceptional emergency. In other times the general confidence in these notes would maintain them at par in coin, and justify their use as reserves of banks and for the redemption of bank notes.

In this connection, the Secretary calls the attention of Congress to the report of the Comptroller of the Currency.

The number of national banks in existence on the 1st day of November last was 2,080. The amount of their circulating notes retired within the year prior to November 1, 1877, is \$20,681,637. The amount of circulating notes issued to national banks during the same period is \$16,306,030. The aggregate amount of their circulation outstanding is \$316,775,111. Their loans and discounts amount to \$888,243,290.17.

The general solvency of the national banks, as now organized, and their benefit to the people, have been demonstrated during a period of fourteen years. No one has lost a dollar by receiving their notes. They have been less subject to revulsion and failure than any other corporations or firms. Their organization under a general law containing every safeguard which experience has suggested—the supervision over them by the Comptroller of the Currency, the frequent and unforeseen examinations to which they are subject, the sworn statements required of

them of every detail necessary to disclose their condition, the absolute security of their issues—makes this system of banking as safe and efficient as any yet devised. The remaining condition to perfect this system is that their notes should be readily convertible into coin. While United States notes were irredeemable and depreciated, it was not possible that bank notes should rise above the par of United States notes. The true test of this system of banking will come when the United States notes are maintained at par with coin; then the banks must redeem their notes in coin or United States notes equal to coin.

The ample statistics given by the Comptroller, and his comparison of the reserves and condition of the national banks with the reserves and condition of other systems of banking in specie-paying times, give assurance that the national banks are able to redeem their circulating notes in coin at any date fixed upon by the Government. They certainly should not enjoy the franchise of circulating as money their non-interest-bearing notes, unless they are prepared to redeem them. The present system of redemption of bank notes at the Treasury of the United States can be continued after United States notes are at par with coin as well as now. If experience should show that additional reserves are necessary, they can be required. Then, as now, their notes will be amply secured by the deposit of bonds, and confidence in this security will dispel the fear of failure, which under former systems has been the cause of sudden runs or demands on banks for payment of their notes. If the policy of the Government should be to maintain in circulation at par with coin a maximum of three hundred millions of United States notes, and to support them with a reserve of not less than one hundred millions in coin, these notes will be the natural reserves of the banks, and more convenient for that purpose than a deposit of coin in their vaults.

The real danger that in former systems threatened a bank was its liability for deposits. If these were suddenly withdrawn or greatly diminished, the note-holder was the chief sufferer. The first rumor of weakness about a bank brought a demand from depositors and note-holders alike; but under the national banking system the note-holder is secure and indifferent whether the bank breaks or not, and the depositor, who is a voluntary creditor of the bank, is not likely to hasten its fall. He is usually paid by a transfer of credits, and in most cases is a debtor as well as a creditor of the bank. Scarcely five per cent. of deposits are paid by currency.

The capital stock of national banks paid in is now \$479,467,771, and the surplus fund and other undivided profits is now \$166,348,799.96. The banks are exceptionally strong in their cash reserves. Their condition is as favorable to maintain redemption in coin as in United States notes, and the Secretary concurs in the opinion of the Comptroller that they ought to be, can be, and will be prepared for redemption of their circulating notes in coin or in United States notes equal to coin by the time fixed by law, without interfering with their ability or disposition to render their aid, as now, by loans and discounts, in conducting the business and exchanges of the country. The market value of their circulating note is ninety-seven and three eighths per cent. The

difference is not equal to six months' interest on the bonds deposited for the security of the notes, and not five per cent. of their surplus on hand. It is scarcely to be credited that the payment of this will disturb in any way the even course of their business.

Complaint is made by the banks and bankers of the country of the tax on their deposits, and attention is called to what is said by the Comptroller of the Currency as to the repeal of this tax. While the necessity exists for collecting the amount of revenue now required, the Secretary is not prepared to recommend such repeal; but whenever a sufficient amount of revenue for the support of the Government can be derived from the other articles now subject to taxation, a reduction of bank taxation will then be advisable.

The cost of the redemption of bank notes in United States notes at the Treasury, under the present system, does not exceed one sixth of one per cent. on the amount redeemed, and is refunded to the Government by the banks. The redemption is a great convenience to them and to the public, and should be continued.

The act creating the national banking system recognizes the character of these banks as Government agents or depositories. They could greatly assist in the process of refunding; they are conveniently distributed so as to be within easy reach of the people of the United States. The Secretary is of the opinion that they can be under existing law, and ought to be, made the agents of the Government in the sale of bonds, upon conditions that will make it for their interest to promote such sales, and will be safe and advantageous to the Government. Various plans have been submitted to secure their cooperation, and the best will be adopted.

The Secretary calls the attention of Congress to the report of the Director of the Mint. The general management of the mints and assay offices, and the amount, accuracy, and perfection of their work, are highly satisfactory. The coinage of gold and silver, their relative value to each other, and their legal-tender qualities, are now the subjects of discussion and legislation in all civilized countries. These questions are especially important to the United States, now in transition from an irredeemable paper currency to a mixed currency redeemable in coin, and will justify the Secretary in a fuller presentation of these topics than is usual in his annual report.

The resumption act of January 14, 1875, provided for the exchange and substitution of silver coin for fractional currency. To facilitate this exchange, the joint resolution approved July 22, 1876, provided that such coin should be issued to an amount not exceeding \$10,000,000, for an equal amount of legal-tender notes. It also provided that the aggregate amount of such coin and fractional currency outstanding should not exceed, at any time, \$50,000,000. That limit would have been reached some time since if the whole amount of fractional currency issued and not redeemed had been held to be "outstanding." It was well known, however, that a very large amount of fractional currency issued had been destroyed, and could not be presented for redemption, and could hardly be held to be "outstanding." The Treasurer of the United States, the Comptroller of the Currency, and

the Director of the Mint concurred in estimating the amount so lost and destroyed to be not less than \$8,083,513.

As it was evident that Congress intended to provide an aggregate issue of \$50,000,000 of such coin and currency in circulation, the Secretary directed the further issue of silver coin equal in amount to the currency estimated to have been lost and destroyed.

It is submitted that the limitation upon the amount of such fractional coin to be issued in exchange for United States notes should be repealed. This coin is readily taken, is in great favor with the people, its issue is profitable to the Government, and experience has shown that there is no difficulty in maintaining it at par with United States notes. The estimated amount of such coin in circulation in the United States in 1860, at par with gold, was \$43,000,000. Great Britain, with a population of 32,000,000, maintains an inferior fractional coin to the amount of \$92,463,500,\* at par with gold, and other nations maintain a much larger *per capita* amount. The true limit of such coin is the demand that may be made for its issue; and if only issued in exchange for United States notes, there is no danger of an excess being issued.

By the coinage act of 1873 any person may deposit silver bullion at the mint to be coined into trade dollars of the weight of 420 grains troy, upon the payment of the cost of coinage. This provision was made at a time when such a dollar was worth in the market \$1.0213 in gold, and was designed for the use of trade in China, where silver was the only standard. By the joint resolution of July 22, 1876, passed when the trade dollar in market value had fallen greatly below one dollar in gold, it was provided that it should not be thereafter a legal tender, and the Secretary of the Treasury was authorized "to limit the coinage thereof to such an amount as he may deem sufficient to meet the export demand for the same." Under these laws the amount of trade dollars issued, mainly for exportation, was \$30,710,400. In October last it became apparent that there was no further export demand for trade dollars, but deposits of silver bullion were made, and such dollars were demanded of the mint for circulation in the United States, that the owner might secure the difference between the value of such bullion in the market and United States notes. At the time the mints were fully occupied by the issue of fractional and other coins on account of the Government. Therefore, under the authority of the law referred to, the Secretary directed that no further issues of trade dollars should be made until necessary again to meet an export demand. In case another silver dollar is authorized, the Secretary recommends that the trade dollar be discontinued.

The question of the issue of a silver dollar for circulation as money has been much discussed and carefully examined by a commission organized by Congress, which has recommended the coinage of the old silver dollar. With such legislative provision as will maintain its current value at par with gold, its issue is respectfully recommended. A gold coin of the denomination of one dollar is too small for convenient

\* As estimated by Mr. Freemantle, Deputy Master of the Royal Mint, December, 1875.

circulation, while such a coin in silver would be convenient for a multitude of daily transactions, and is in a form to satisfy the natural instinct of hoarding.

Of the metals, silver is of most general use for coinage. It is a part of every system of coinage, even in countries where gold is the sole legal standard. It best measures the common wants of life, but, from its weight and bulk, is not a convenient medium in the larger exchanges of commerce. Its production is reasonably steady in amount. The relative market value of silver and gold is far more stable than that of any other two commodities; still, it does vary. It is not in the power of human law to prevent the variation. This inherent difficulty has compelled all nations to adopt one or the other as the sole standard of value, or to authorize an alternative standard of either, or to coin both metals at an arbitrary standard, and to maintain one at par with the other by limiting its amount and legal-tender quality, and receiving or redeeming it at par with the other.

It has been the careful study of statesmen for many years to secure a bimetallic currency not subject to the changes of market value, and so adjusted that both kinds can be kept in circulation together, not alternating with each other. The growing tendency has been to adopt for coins the principle of "redeemability" applied to different forms of paper money. By limiting tokens, silver and paper money, to the amount needed for business, and promptly receiving or redeeming all that may at any time be in excess, all these forms of money can be kept in circulation, in large amounts, at par with gold. In this way tokens of inferior intrinsic value are readily circulated, but do not depreciate below the paper money into which they are convertible. The fractional silver coin now in circulation, though the silver of which it is composed is of less market value than the paper money, passes readily among all classes of people, and answers all the purposes for which it was designed. And so the silver dollar, if restored to our coinage, would greatly add to the convenience of the people. But this coin should be subject to the same rule, as to issue and convertibility, as other forms of money. If the market value of the silver in it were less than that of gold coin of the same denomination, and it were issued in unlimited quantities, and made a legal tender for all debts, it would demonetize gold and depreciate our paper money.

The importance of gold as the standard of value is conceded by all. Since 1834 it has been practically the sole coin standard of the United States, and since 1815 has been the sole standard of Great Britain. Germany has recently adopted the same standard. France and other Latin nations have suspended the coinage of silver, and, it is supposed, will gradually either adopt the sole standard of gold or provide for the convertibility of silver coin, on the demand of the holder, into gold coin.

In the United States several experiments have been made with the view of retaining both gold and silver in circulation. The Second Congress undertook to establish the ratio of fifteen of silver to one of gold, with free coinage of both metals. By this ratio gold was undervalued, as one ounce of gold was worth more in the markets of the



world than fifteen ounces of silver, and gold therefore was exported. To correct this, in 1837 the ratio was fixed at sixteen to one, but sixteen ounces of silver were worth in the market more than one ounce of gold, so that silver was demonetized.

These difficulties in the adjustment of gold and silver coinage were fully considered by Congress prior to the passage of the act approved February 21, 1853. By that act a new and, it was believed, a permanent policy was adopted to secure the simultaneous circulation of both silver and gold coins in the United States. Silver fractional coins were provided for at a ratio of 14.88 in silver to one in gold, and were only issued in exchange for gold coin. The right of private parties to deposit silver bullion for such coinage was repealed, and these coins were issued from bullion purchased by the Treasurer of the Mint, and only upon the account and for the profit of the United States. The coin was a legal tender only in payment of debts for all sums not exceeding five dollars. Though the silver in this coin was worth in the market 3.13 cents on the dollar less than gold coin, yet its convenience for use as change, and its issue by the Government only in exchange for and its practical convertibility into gold coin, maintained it in circulation at par with gold coin. If the slight error in the ratio of 1792 prevented gold from entering into circulation for forty-five years, and the slight error in 1837 brought gold into circulation and banished silver until 1853, how much more certainly will an error now of nine per cent. cause gold to be exported and silver to become the sole standard of value! Is it worth while to travel again the round of errors, when experience has demonstrated that both metals can only be maintained in circulation together by adhering to the policy of 1853?

The silver dollar was not mentioned in the act of 1853, but from 1792 until 1874 it was worth more in the market than the gold dollar provided for in the act of 1837. It was not a current coin contemplated as being in circulation at the passage of the act of February 12, 1873. The whole amount of such dollars issued prior to 1853 was \$2,553,000. Subsequent to 1853, and until it was dropped from our coinage in 1873, the total amount issued was \$5,492,838, or an aggregate of \$8,045,838, and this was almost exclusively for exportation.

By the coinage act approved February 12, 1873, fractional silver coins were authorized, similar in general character to the coins of 1853, but with a slight increase of silver in them, to make them conform exactly to the French coinage, and the old dollar was replaced by the trade dollar of 420 grains of standard silver.

Much complaint has been made that this was done with the design of depriving the people of the privilege of paying their debts in a cheaper money than gold, but it is manifest that this is an error. No one then did or could foresee the subsequent fall in the market value of silver. The silver dollar was an unknown coin to the people, and was not in circulation even on the Pacific slope, where coin was in common use. The trade dollar of 420 grains was substituted for the silver dollar of 412½ grains because it was believed that it was better adapted to supersede the Mexican dollar in the Chinese trade, and experiment proved this to be true. Since the trade dollar was authorized

\$30,710,400 have been issued, or nearly four times the entire issue of old silver dollars since the foundation of the Government. Had not the coinage act of 1873 been passed, the United States would now be compelled to suspend the free coinage of silver dollars, as the Latin nations did, or to have silver as the sole coin standard of value.

Since February, 1873, great changes have occurred in the market value of silver. Prior to that time the silver in the old dollar was worth more than a gold dollar, while at present it is worth about 92 cents. If by law any holder of silver bullion might deposit it in the mint and demand a full legal-tender dollar for every  $412\frac{1}{2}$  grains of standard silver deposited, the result would be inevitable that as soon as the mints could supply the demand the silver dollar would, by a financial law as fixed and invariable as the law of gravitation, become the only standard of value. All forms of paper money would fall to that standard or below it, and gold would be demonetized and quoted at a premium equal to its value in the markets of the world. For a time the run to deposit bullion at the mint would give to silver an artificial value, of which the holders and producers of silver bullion would have the sole benefit. The utmost capacity of the mints would be employed for years to supply this demand at the cost of and without profit to the people. The silver dollar would take the place of gold as rapidly as coined, and be used in the payment of customs duties, causing an accumulation of such coins in the Treasury. If used in paying the interest on the public debt, the grave questions already presented would arise with public creditors, seriously affecting the public credit.

It is urged that the free coinage of silver in the United States will restore its market value to that of gold. Market value is fixed by the world, and not by the United States alone, and is affected by the whole mass of silver in the world. As the enormous and continuous demand for silver in Asia has not prevented the fall in silver, it is not likely that the limited demand for silver coin in this country, where paper money is now and will be the chief medium of exchange, will cause any considerable advance in its value. This advance, if any, will be secured by the demand for silver bullion for coin to be issued by and for the United States, as well as if it were issued for the benefit of the holder of the bullion. If the financial condition of our country is so grievous that we must at every hazard have a cheaper dollar, in order to lessen the burden of debts already contracted, it is far better, rather than to adopt the single standard of silver, to boldly reduce the number of grains in the gold dollar, or to abandon and retrace all efforts to make United States notes equal to coin. Either expedient will do greater harm to the public at large than any possible benefit to debtors.

The free coinage of silver will also impair the pledge made of the customs duties, by the act of February, 1862, for the payment of the interest of the public debt. The policy thus far adhered to, of collecting these duties in gold coin, has been the chief cause of upholding and advancing the public credit, and making it possible to lessen the burden of interest by the process of refunding.

In view of these considerations, the Secretary has felt it to be his duty to earnestly urge upon Congress the serious objections to the free

coinage of silver on such conditions as will demonetize gold, greatly disturb all the financial operations of the Government, suddenly revolutionize the basis of our currency, throw upon the Government the increased cost of coinage, arrest the refunding of the public debt, and impair the public credit, with no apparent advantage to the people at large.

The Secretary believes that all the beneficial results hoped for from a liberal issue of silver coin can be secured by issuing this coin, in pursuance of the general policy of the act of 1853, in exchange for United States notes, coined from bullion purchased in the open market by the United States, and maintaining it by redemption, or otherwise, at par with gold coin. It could be made a legal tender for such sums and on such contracts as would secure to it the most general circulation. It could be easily redeemed in United States notes and gold coin, and only reissued when demanded for public convenience. If the essential quality of redeemability given to United States notes, bank bills, tokens, fractional coins, and currency maintains them at par, how much easier it would be to maintain the silver dollar, of intrinsic market value nearly equal to gold, at par with gold coin, by giving to it the like quality of redeemability! To still further secure a fixed relative value of silver and gold, the United States might invite an international convention of commercial nations. Even such a convention, while it might check the fall of silver, could not prevent the operation of that higher law which places the market value of silver above human control. Issued upon the conditions here stated, the Secretary is of opinion that the silver dollar will be a great public advantage, but that if issued without limit, upon the demand of the owners of silver bullion, it will be a great public injury. \* \* \* \*

JOHN SHERMAN,

*Secretary.*

*The Honorable the Speaker of the House of Representatives.*

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## FINANCES.

*DELIVERED AT TOLEDO, MONDAY, AUGUST 26, 1878.*

\* FELLOW CITIZENS: When I informed the Republican State Committee that I could speak once in Ohio during my brief visit, they inquired if it would be agreeable to me to speak in Toledo. I promptly answered yes, for I knew that, though your political associations had been greatly disturbed by questions which sprung out of the hardness of the times and the panic of 1873, you would yet give me a patient hearing, and thus be able better to judge how far we disagree.

I naturally suppose that you desire me to speak mainly on financial topics. My official position for many years in the Senate connected me with the financial laws of Congress, and my present office requires me to carry them into execution. They relate mainly to the public credit,

the public debt, our coin and currency, and the system of taxes by which the Government is supported. These topics are necessarily interwoven with each other, but each canvass brings some of them into more prominence than others.

The questions most discussed are those relating to silver and resumption. These are only branches of the currency question, but they present the main difficulties in the administration of the Treasury Department, and will be mainly the subject of my remarks. The election this fall for members of the House of Representatives will practically settle them. There ought to be no partisan or personal feeling about them, for we are all interested alike in promoting the common good, and in settling upon a sound basis the currency of the country.

In undertaking to address you I will frankly and freely express my own opinion, but, while I remain in an executive office, I shall cheerfully obey and execute the judgment of my fellow citizens as expressed by Congress, or give way to some one who will do so.

What I want is the largest amount of currency that can be maintained at par with the established coin of the country. From the diversity of our wants we must have different kinds of money, to measure great and little wants. We must have coin money and paper money, and plenty of both. What I contend for is that, though our money may be of different kinds, it must all have the same purchasing power. The essential qualities of all good money are stability, equality, and convertibility. The dollar of one kind should buy as much as the dollar of another kind. Depreciated money cheats the ignorant and the unwary, and enriches the money-changer. The poor man whose dependence is upon his daily labor is the victim of depreciated money, for he must take what is offered, and he is always paid in the poorest money.

No distinction should be made between coin and paper money, or between the note-holder and the bond-holder. The money provided by the Government should pay all debts and be used for all debts.

Subject to these conditions I am for the largest amount of each kind of money demanded for the wants of business, and if you agree with me in these general propositions there will be no quarrel between us.

Gold, silver, and copper, as well as the modern contrivance of paper money, are all useful means of exchange, and ought to be freely used and always maintained at par with each other.

Minor coins of baser metals are indispensable for the immediate small wants of life. To measure these wants silver coins would have to be too small in size, and therefore copper and nickel are used; but these metals are so cheap that, if coined at their intrinsic value, the coins would be too large for convenience; and so by common consent the old copper cents are abandoned, and token coins of copper and nickel are issued at several times their intrinsic value, but are maintained at par by the necessity for their use, and by being redeemable in money of full value when presented in considerable sums.

Silver money is the best and most convenient for the market and shopping transactions of life. Silver coins are by all odds more numer-

ous than coins of gold, even in countries where gold alone is the standard of value. The shillings and half crowns of Great Britain outnumber the sovereigns many times, and in the United States the silver coins issued from February 1, 1875, to August 1, 1878, numbered 220,829,540, while the whole number of gold pieces issued during that time in the United States was 7,710,040.

No form of paper money can profitably take the place of silver. Our old fractional currency was the best substitute ever devised, but this cost annually nearly four per cent. to maintain it in decent condition, or nearly the interest of the money, while the amount lost, wasted, and destroyed was a heavy tax upon the people who used it. It lasted on an average only fifteen months, while coin lasts thirty years. The largest possible use of silver and its freest circulation are indispensable to any system of money that can be devised, but it must be maintained in some way at or near the intrinsic value of other money.

If silver is coined at less than its market value and issued without limit, it will as surely displace gold as water will displace air. Therefore, fractional silver is limited to \$50,000,000, and is issued only when required in exchange for United States notes. If it becomes too abundant, it comes into the Treasury for taxes and is paid out only when demanded or willingly received.

So the coining of the new silver dollar, though a legal tender for all purposes, is limited by law to from \$2,000,000 to \$4,000,000 a month. The silver in this dollar is worth less in the market than the gold or even the paper dollar, and, if issued without limit, the silver dollar will surely depreciate below the gold dollar, and will become the single standard of value. This is as certain as the march of time.

But gold also is an indispensable standard of value. It measures all the larger transactions of business life. It is used as such by most Christian and civilized nations of the world, and its demonetization would be as great an injury as the demonetization of silver.

Now, fellow citizens, I am in favor of so adjusting this matter that both metals will circulate at par with each other, that you will have gold eagles and silver dollars, and that a dollar of either will purchase precisely the same quantities.

This can be done while the market value of silver is lower than it should be in view of its legal ratio with gold, either,

First, by limiting the amount of silver to be issued;

Second, by readjusting the relative weight of coins, either by increasing the weight of the silver coin, or lessening that of the gold coin, or equalizing them by increasing the weight of silver and lessening that of the gold; or,

Third, by some plan to be adopted by the International Conference between bimetallic nations now in session, which I sincerely trust may arrive at some practical result.

Any plan to keep these coins on a par with each other will meet my hearty concurrence, but I am utterly opposed to any measure that will deprive us of the use of either of them, circulating side by side, with equal purchasing power, at par with each other. I assure you in

all frankness that the silver question must be solved in some way, or we will have to adopt the single standard of silver like the Chinese and other Asiatic nations.

And now, fellow citizens, I come to the most important question of this canvass.

Our paper currency is now happily brought very near to par with coin.

Will you insist upon keeping it at par, or will you, by repealing the resumption act, retrace the steps already taken, and embark again upon the sea of irredeemable paper currency? Shall our paper money hereafter be redeemable in coin upon the demand of the holder and be maintained at par with coin, or shall it be what its friends call a "fiat" money, irredeemable in coin, dependent upon the daily trade-marks of bankers and brokers for its value, and upon the changing majorities in Congress for its amount and quality?

This county of Lucas has always been a good Republican county. It earnestly supported the administration of Abraham Lincoln, supported all the measures of the war, and in patriotic exertions and sacrifices for the cause of the Union was not excelled by any portion of the United States of equal population. It is to you as Republicans that I wish to address what I have to say to-night.

It was the Republican party which devised and issued the greenbacks, and which has thus far sustained them and advanced them by slow and gradual processes to par with coin.

No doubt there have been honest differences, as it is natural there would be, as to the means by which the result has been brought about, but there should be no difference among Republicans as to the desire that the money contrived by their policy, and the chosen instrument by which the forces of the United States were marshaled during our war, should be made and kept equal to coin.

However varying currents of public opinion or temporary depression of industry may tend to disturb the public judgment, it should be the will and the duty of the great party to which we belong to make good the promises printed on the face of United States notes, especially when this is demanded not only by national honor, but by the clearest public policy. In this money, which is our own, we naturally take pride. We guarded it in its cradle when it was reviled and derided by our political adversaries, at a time when it was said it would wander like Cain with a mark upon its brow, dishonored and repudiated. We believed in it then and we believe in it now.

When it was issued we promised to redeem it in coin, and every fresh issue was accompanied by a fresh promise. In 1866 we not only, by law, promised to redeem it, but provided for the gradual contraction of its amount. In 1868 we suspended the contraction but renewed the promise. In 1869 we solemnly pledged the public faith to redeem the notes in coin.

No step, however, was taken for their redemption, and, under the stimulus of inflation, speculation ran riot, visionary schemes were entered upon, extravagance prevailed, until in September, 1873, the bubble burst, prices fell, the wild delusions of the time were dissipated,

and business men had to face the inevitable evils that always come from irredeemable paper money.

Then, after fifteen months' debate in Congress and before the people, as a remedy for the evils we were suffering, the resumption act was passed. Its only object was to make our paper money equal to coin. It was not the best possible measure, but was the only one that could be agreed upon. It was very general in its provisions, but it gave ample power to prepare for and to maintain resumption.

It did not abolish the greenback. On the contrary the greenbacks were expressly to be retained to the extent of \$300,000,000 as a part of the permanent currency of the country, and, on the 1st of January, 1879, were to be made as good as coin, to be redeemable in coin, and to be issued and reissued as the money of the people, the chief part of our paper currency. This was to be the fulfillment of our promises. This was our answer to those who said the greenback would never be redeemed.

And now, fellow citizens, the resumption act has vindicated itself. We will be prepared, when the time fixed shall arrive, to execute it and maintain it, with entire confidence in its happy effect in the revival of business and the restoration of confidence.

Four months before the time fixed, silver, gold, and paper are almost on a par with each other.

A greenback will now buy within one half of one per cent. as much provision, clothing, and other things as the best gold coin ever issued from the mint. The laboring man has a standard of value equal to that of the bond-holder. The only promise unfulfilled by the Republican party is almost performed.

The steps by which the result has been achieved were simple, lawful, and beneficent, and perhaps it is best for me to state them as briefly as I can.

First. Silver coin has been gradually substituted for fractional currency. The amount of fractional currency redeemed to the 17th of this month is \$25,080,609. The amount of fractional silver coin issued to the same date is \$39,307,680. Here has been no contraction, but an increase of over \$14,000,000 current money by the substitution of a durable coin for an expensive and wasteful note.

Second. A gradual retirement has been effected of United States notes from \$382,000,000 January, 1875, to \$346,681,016. This reduction was made only as circulating notes were issued to national banks, and only to the extent of eighty per cent. of the notes so issued. This was to be continued until the amount outstanding was \$300,000,000, but Congress, during the recent session, in view of the general desire to stop reduction, suspended it, and fixed the amount of United States notes at \$346,681,016, the amount then outstanding. Though this adds to the difficulties of executing the resumption law, still I have entire confidence in our ability to maintain that amount in circulation.

Third. Coin has been accumulated in the Treasury in anticipation of resumption. The authority to thus accumulate is plainly given by the resumption act, and was the chief means provided to secure and maintain resumption. My predecessors, no doubt believing that this

accumulation ought not to commence during their terms, had taken no steps under the provisions of the resumption act.

When I assumed the duties of my present office, after careful study of the whole subject, I determined that it would be necessary to accumulate, in addition to the surplus revenue, the sum of \$100,000,000 of gold coin, and that it ought to be accumulated at the rate of \$5,000,000 a month from the 1st of May, 1877, to the date of resumption.

It was confidently declared by those who opposed the law that it would be impossible to accumulate this coin without putting up the price of gold, and thus defeating the object, but the experiment shows that it was not only feasible, but advantageous to the current business of the country.

We accumulated easily during eight months of the year 1877 at the rate of \$5,000,000 a month, with gold constantly declining in price. This process was arrested by the debates in Congress and the threatened repeal of the resumption act, but was again resumed in the spring of this year, when it was found still more easy to accumulate coin by the sale of  $4\frac{1}{2}$  per cent. bonds, and the original plan was executed sooner than was anticipated, by the rapid sale of the bonds, so that on the 10th of this month the Treasury of the United States was supplied with \$209,011,753.15 gold and silver coin and bullion.

I have received a recent statement from the Treasurer of the United States which shows the precise condition of the Treasury, in view of resumption, as follows :

TREASURY OF THE UNITED STATES, }  
WASHINGTON, D. C., August 20, 1878. }

SIR: I have the honor to advise you that, on August 10, 1878, there were in the Treasury as follows :

Gold coin .....	\$185,273,016 85	
Standard dollars.....	10,386,266 00	
Gold bullion.....	6,539,657 89	
Silver bullion.....	6,812,812 41	
		\$209,011,753 15

Of which there will be required for the following payments :

Unmatured calls of 5-20 bonds.....	\$45,000,000 00	
Coin certificates outstanding on that date \$43,721,370,		
less \$17,195,180 redeemed and in Treasury.....	26,526,190 00	
Principal of debt estimated to be due and unpaid on that		
date.....	4,000,000 00	
Coin interest estimated to be due and unpaid on that date	4,000,000 00	
		\$79,526,190 00
Excess.....		\$129,485,563 15

The gold coin on hand, stated above at \$185,273,016.85, does not include redeemed gold certificates, or any other coin item, but is actually gold coin.

There was in the Treasury of that date \$5,095,246.38 fractional silver coin.

Very respectfully, JAS. GILFILLAN, *Treasurer United States.*

Hon. JOHN SHERMAN, *Secretary of the Treasury.*

It thus appears that, over and above all coin liabilities, the Treasury has \$129,485,563.15, besides \$5,095,246.38 fractional silver coin, available for resumption purposes without any charge or demand whatever against it, and supported by the power, if necessary, to sell bonds in aid of resumption. With this sum and with the powers conferred by



law, I am satisfied that it is easy to maintain resumption, and such, I believe, is now the judgment of the best business men of the country, and of those most experienced in financial matters.

I do not think it necessary to enter into more detail as to the plan of or the ability to maintain resumption, or as to the arguments for or against the measures adopted in aid of it, as the subject was thoroughly discussed in Congress and my own views fully explained to the committees of Congress in interviews published by the Senate and House last winter, and no doubt accessible to you.

It is sufficient to say that since the passage of the resumption act every promise and expectation of its friends has been justified by events, and every prophecy of its opponents has been falsified. Every step in the process of resumption has been open, public, and frank, and beneficial in a business sense.

All the evils which you have suffered are the direct result of the inflation of paper money and the panic which preceded the resumption act. The whole process of resumption has substantially been carried on since the 1st of May, 1877, and has been attended with reviving business and prosperity. The failures that have occurred during this time have been the direct result of engagements and contracts made before that date.

And now, fellow citizens, the real question is, Shall we go forward and complete this process, or shall we go back again to the period of irredeemable money with its inevitable resulting consequence of expansion, inflation, and panic? As you are the judges of last resort on this question, I beg of you to consider some general principle gathered from the experience, not only of our own people, but of all nations who have, at any period, maintained mixed standards of paper money.

Irredeemable paper money is only justified by war carried to the extent of national peril, when the life of the nation is at stake. It ought to be redeemable as soon as the public exigencies will permit. It is not money, but the promise to pay money. These are axioms of political economy, the truth of which all experience has demonstrated.

We issued this money only in the midst of such a peril.

Our error, if any, has been that we have delayed too long the measures of resumption. Now, when they are almost complete, and gold and silver and paper money are practically convertible one into the other, when there is the same money for the bond-holder and the note-holder, the rich and the poor, when silver can be had for notes, and gold in ample store awaits the day of resumption, we Republicans should not debate the question of the repeal of the resumption act.

With all our promises on record, we should not be deluded by the cry for "fiat" money. Precisely what is the meaning of this phrase I do not know, but I presume it means a money that is not measured by any other, that is not redeemable in any other, but has its origin, force, sanction, and value in the mandate of the Government, and will vary day by day in purchasing power.

As between this kind of money and the old greenback regenerated, restored, convertible into coin, the standard of all value, and the medium of all payments, I am for the greenback against "fiat" money.

A great nation like ours, rich in varied resources, with a free people of remarkable intelligence, is not driven to resort to any expedients which would affect the public credit or the public debt, or disturb our harmonious relations in trade with foreign nations, but should adapt its money to the money of the civilized world, make it as good as any other money, and maintain its standard of value as high as that of any coin ever issued from the mint.

Some of you who believe in "fiat" money say you desire the same result, but it is clear that you can only maintain this money at par with coin either by a careful limitation of its amount or by actual redemption in coin when demanded. If that is what you mean by "fiat" money, then we will not disagree, but it is well known that those who advocate "fiat" money want to increase the amount beyond a sum that can be maintained at par with coin, and seek thus to cheapen money by making it less valuable than coin.

I can imagine how a man deeply in debt and hoping to escape bankruptcy may desire to cheapen the money in which his debt is to be paid, but why should a laboring man whose daily toil is measured by the money he receives desire to cheapen it? Why should a farmer who sells his productions for money desire to lessen its purchasing power? Why should a prudent, thrifty, industrious man engaged in any occupation, and who hopes by his thrift and industry to accumulate for himself a competence, desire to have his labor measured by a money of unstable value? It is the interest of every one engaged in industrial employments, and who is not a speculator or a broker, to have a fixed standard of value. If any of you who labor or are farmers, mechanics, or belong to any of the industrial classes of life, have hope in a depreciated money, you are greatly misled.

All the great men of our country, our Revolutionary fathers and their descendents in the war of 1812, and the statesmen of the days of General Jackson, deeply felt the evils of irredeemable paper money, and experience led them to the conviction that gold and silver coin, or paper money well secured and convertible into gold and silver coin, was the best for all classes and for all industries.

In these general views in favor of resumption adopted by the Republican party we have had the sympathy and concurrence of a certain portion of the Democratic party, who, though they have always by instinct and habit voted against every measure of the Republican party from the beginning of the war to this time, even in the darkest hour of the war, have always professed to be in favor of and talked in favor of good money redeemable in coin. This class of Democrats, though they opposed the resumption act, did it because they declared it to be a hindrance to resumption, and denounced us because we did not resume sooner. This was the position of the last National Democratic Convention.

Senator Thurman, my colleague for many years in the Senate, was one of this class of Democrats; and, although our financial measures did not exactly please him, and he generally voted against them, yet he freely said, like Mr. Bayard and others, that he desired resumption and stood by the old Jackson Democracy in favor of hard money.

The exigencies of party tactics have led him recently to make a speech, to which, with entire respect for him, I desire briefly to reply. So far as he seeks to show his consistency and concurrence with his fellow Democrats, it is a domestic matter, and I will not interfere, but some of the positions taken by him I must contest. He says:

I think I do them no injustice when I say that the leaders of the Republican party are in favor of directly the opposite course—that is to say, they would retire all the greenbacks in order that their places might be filled with national-bank notes.

Senator Thurman is greatly mistaken in this position. As I have already shown, the Republican party is not in favor of retiring the greenbacks in order that their place may be filled with national-bank notes.

No doubt some Republicans, like some Democrats, are in favor of the United States withdrawing from the business of issuing paper money, but the Republican party has never taken such a position, and now distinctly maintains the right and duty of the Government to keep in circulation such an amount of United States notes as can be readily maintained at par with coin.

In every law authorizing these notes there is a limit fixed to their amount.

During the war the guarantee was made, and never has been violated, that the amount should not exceed \$400,000,000, and no authority has ever been conferred upon any officer of the Government to reduce the amount below \$300,000,000, but now the minimum limit is fixed, as I have already stated, at \$346,681,016.

In his speech at Hamilton, Senator Thurman openly advocates increasing the amount of United States notes outstanding from \$346,000,000 to \$668,000,000 by issuing United States notes in place of the national-bank notes outstanding. He declares that the principal feature of the Democratic platform is the proposed substitution of greenbacks for national-bank notes. He would thus render specie payments impossible during this and perhaps the next generation, and this at a time when specie resumption, which he has so strongly favored, is on the eve of success.

The position of the Republican party is in favor of greenbacks restored to their normal condition of paper money, equal to coin and redeemable in coin on the demand of the holder, while the position of the Democratic party, as stated by Judge Thurman, is in favor of the issue and maintenance in circulation of \$668,000,000 of United States notes without any provision whatever for their redemption or their conversion into coin.

This issue is distinctly made, and for one I distinctly accept it.

We favor paper money redeemable in coin, and the largest amount that can be maintained at par with coin, while he favors an amount of paper issued directly by the Government, not convertible into coin, with no provision for its redemption, and to an amount which no one has claimed can be maintained at par with coin.

He says it is just as easy to maintain \$668,000,000 greenbacks at

par with coin as it is to maintain \$346,000,000 greenbacks and \$322,000,000 national-bank notes at par with coin.

But he forgets to state that the bank notes are payable in greenbacks and not in coin, and that they are to be redeemed by the banks at their risk and expense, and not by the United States. No coin reserve is needed by them for such redemption. The issue of these notes aids in maintaining the United States notes at par with coin instead of obstructing it.

The banks are required to keep in their vaults and in the Treasury of the United States an ample reserve of United States notes and bonds to redeem their notes, and thus give to the United States notes a use which tends to maintain them at par with coin.

The whole burden now resting upon the Government is to maintain resumption upon the amount of United States notes, and this confessedly can be done by a coin reserve of from thirty to forty per cent. (which reserve we now have on hand), while, if the whole amount of circulation, including national-bank notes, was in United States notes, no coin reserve that could be reasonably secured and maintained would be sufficient for the purpose of resumption.

The bank notes are not in any sense the notes of the Government. They are the notes of private corporations, amply secured, redeemed by them, maintained by them, or, if they fail to redeem them, the security can at once be applied to their redemption. This expedient of allowing a portion of the circulation to be issued by private corporations enables us to maintain in circulation nearly twice as much paper money as could be maintained at par in coin if issued directly by the Government.

His plan would directly violate the provisions of the loan laws, under which both United States bonds and notes are issued, and which limit expressly the amount of United States notes to \$400,000,000. It would be a violation of the public faith, and would impair at once the public credit, and do inconceivably more harm than it could give profit to the Government.

This scheme of his conflicts directly with the decision of the Supreme Court of the United States, and would, no doubt, be held unconstitutional because it provides for a very large increase of United States notes in a time of profound peace, where no such exigency as is contemplated by the Constitution or decision of the Supreme Court exists to justify their issue.

It would at once drive out of existence the whole system of national banks which have been the means alone by which State banks have been prevented from issuing circulating notes. The only franchise the national banks receive from the Government, which induces them to maintain their corporate existence, is the right, under limits fixed by law, to issue circulating notes. Take this from them, and they would at once cease, without exception, to be national banks, and would be organized again, as before the war, into State banks, with such powers as any State might give them. The inevitable effect of this policy would be to revive again the system of State banks without any common organization, without any security for their notes, upon such terms

as any State might prescribe, and thus all the evils of State-bank money, which the people experienced before the war, would recur again. Nearly a generation has passed since the incongruous system of paper money which existed before the war was swept away by the national banking act.

It is safe to say that the injury done to the people of the United States by the failure of State banks, by the uncertain value of their paper money, by its limited local circulation and by successful counterfeiting, was annually greater than the interest of the entire national-bank circulation of the United States.

It is easy to oppose banking corporations. Instead of having political power, they are the weakest members of a community. Say what you will of them, their substitution for State banks was one of the wisest and most beneficial acts of the general Government since the commencement of the war. Personally I have but little interest in or feeling for national banks. But for the benefits derived from them, I would not care what became of them. Their continued existence ought to depend upon their ability, without cost or trouble to the United States, to maintain their circulating notes at par with United States notes or coin. If they fail in this they ought to be abolished. If they do it they ought to be continued. Scattered through the United States, they are useful financial agents in exchanging the products of industry and in localizing capital. They paid last year to the Government of the United States \$7,076,087 in taxes, and for State and local taxes \$9,701,732, or a total of \$16,777,819, or nearly four million more than Judge Thurman estimates we will save to the people by issuing greenbacks instead of the bank notes. These taxes would all be lost to the United States and to the States if the national banks were abolished. Their notes are secured beyond peradventure; they are protected from counterfeiting far more successfully than any former system, and, to their credit be it said, not one dollar has been lost on any national-bank note ever issued. Wherever you go you may carry their notes with confidence, without examination as to where or when they were issued. They are good everywhere in the United States.

Senator Thurman has stated some objections to the national banks, to which I will briefly reply. He says:

In the first place, a national-bank currency means the indefinite perpetuation of the public debt.

As a national bank exists only for twenty years from the date of its organization, and is liable at any time by act of Congress to be abolished, this does not seem a very potent objection. I am sorry to say that the prospect of paying our debt during the life of a national bank is not very flattering, nor is their existence likely to deter its payment. As for the influence of these institutions, so much feared by Mr. Thurman, it is not an object of alarm, for it can not be combined; or, if a combination were attempted, it could be overthrown by a single wave of popular opinion.

His second objection to the national banking system is "that it tends to combine, concentrate, and intensify the money power."

This, again, is an illusive fear. There is no power in this country

that is so weak in political management as what is called the money power. It never has been nor can it be concentrated so as to affect political questions. The tendency of our institutions makes it easy to combine at once political opinion and political power against it.

Party organization is infinitely more powerful for combination than the money power. My own experience in office enables me to say that if you convene ten bank presidents you will have ten different opinions, while party organization brings even Judge Thurman and General Ewing on the same platform.

Nor is it true, as stated by Judge Thurman, that the legislation of Congress favored the money interest during the period of the sway of the Republican party, for this legislation was guided by the love of national unity and honor, and national existence. It tended to make our nation strong at home and respected abroad, and in no single question has it favored what is called the money interest.

The vital issue between the two great parties has been, on the part of the Republicans, a desire to maintain the integrity of the Union and abolish slavery, to secure equal political and civil rights to all men, to maintain the national honor, and to advance the industrial interests of the country, while the theory and policy of the Democratic party has been to belittle the National Government, to subordinate it to the power of the States, to preserve slavery, to leave industry without protection and support, and to sectionalize into petty communities the elements of a great and powerful nation; and these are now, and will be in the future, the inevitable tendencies of these two parties.

The third objection stated by him to the national-bank circulation is that it is a special privilege, and takes many millions out of the pockets of the people. This, again, is untrue in point of fact, and illogical in argument.

The national-bank circulation is not a special privilege, but is open to every association of five persons that may be organized in any part of the United States.

To call it a special privilege is absurd. The same privilege might be granted to every individual citizen of the United States, but experience shows that a corporation is more wisely administered when it is composed of a number of persons, not less than five, than when it is controlled by a single person; and corporate authority is essential to preserve its existence in case of the death of a partner. But for this, the special privilege might be granted to every citizen who could give the requisite security for the redemption of the notes issued by him.

As to putting money into the pockets of the share-holders, this again is absurd. The Government pays nothing and contributes nothing to a bank. The share-holders buy the bonds of the Government and deposit them with the Government for the security of the note-holders. If the bank retires, the bonds belong to the share-holders, and not to the Government. Nor can the Government pay these bonds in any other way than it could pay the bonds in the hands of individuals. The Government would pay the same interest on these bonds, whether held by the bank or by citizens, or in Europe.

The reason why bonds are demanded as security is because they are the best security. But for this a mortgage security or a personal security might be taken, but as the Government security is the highest and best, this is demanded, not for the benefit of the Government, but for the note-holder, for whom the Government is a mere trustee. When the Government pays to the bank interest on bonds held by it as a security, it only pays what is justly due and what it would have to pay at all events to anybody holding the bonds until they are redeemed.

How it takes many millions annually out of the pockets of the people is hard to conceive.

No one borrows the notes of the bank unless it is for his interest to do so. The ability of the bank to lend is a convenience to the borrower as well as the lender. The Government can not engage in this business of loaning money. It would be a sorry time for the people other than political strikers, if the Government loaned money. This is purely a private, personal employment, that should be as free as blacksmithing. The right to issue notes is free to all on the same terms, and, when so guarded as to prevent loss to the note-holder, is the best possible means of increasing the amount of circulating notes.

He says that the Government ought to issue these notes. The answer is that, if the Government issues them, it must undertake to maintain them at par with coin, or else the people must suffer from the evils of an irredeemable currency. The cost to the banks of this redemption is already so great, before specie payments have actually come, that this so-called special privilege is getting to be a special burden, and more banks are surrendering their circulation than are taking circulation. It is a special privilege that more seek to avoid than to acquire.

Judge Thurman computes how much the United States would save if it issued \$322,000,000 more of greenbacks and redeemed that amount of bonds. I do not stop to examine this computation, but I only wonder why he stopped at \$322,000,000. Why not save the entire interest of the public debt by issuing greenbacks for the whole of it? Why not repudiate it at once? That would, according to his computation, save the entire interest of the public debt, or \$93,000,000, with no other loss than the loss of national honor.

What assurance has he that \$322,000,000 will satisfy the more advanced lights of repudiation? How will he pay out the \$322,000,000? Will he claim the right to pay the bonds at par with them? Does he deny the moral and legal obligation by which they are to be paid in coin? Does he propose to repudiate the act of 1869?

The immediate effect of the commencement of such an issue would depreciate the notes lower and lower, would widen more and more the gap between the notes and coin, would revive again the distinction between the bond-holder and the note-holder—gold for the bond-holder and depreciated paper money for the people. It would at once stop the funding operations under which we save one third of the interest of the national debt. No man would buy either a four or a five or a ten per cent. bond in the face of an act of repudiation.

Again, as the notes depreciate, it becomes more difficult to provide

coin for the payment of the interest; would he repudiate the obligation to pay the interest in coin? He says he is in favor of receiving greenbacks for customs duties. Will he, then, buy coin? If so, his policy will already have advanced the value of coin.

These are questions that so astute a reasoner as Judge Thurman ought fairly to answer before he persuades the people to embark in his scheme.

He proposes to issue more notes without any provision for their payment, when our revenues are ample to meet our expenditure, in a time of profound peace, when there is no motive of patriotism or duty or safety to impel such a course, and this merely to save the interest of four per cent. on \$322,000,000.

But this very act, if adopted, would prevent our selling a thousand million of four per cent. bonds with which to pay an equal amount of six per cent. bonds, and in this way would work an annual loss to the Government of \$20,000,000, or \$8,000,000 a year more than the entire saving proposed by his policy.

Again, what moral right has the Government of the United States to require its citizens to take its notes as money and a standard of value merely for the purpose of saving the interest on these bonds? In a time of war we may concede such a right, but in a time of peace there is no legal or moral foundation for such a claim unless the notes are maintained at par and redeemed at par. Is not the United States able to pay the interest of its notes?

Judge Thurman says there has been contraction of the currency. No one disputes that assertion. It is true that the currency has been contracted, but this has been done, not under the resumption act, but by the voluntary action of the banks. They are free to issue or retire their notes, and they have done so.

If the special privilege about which he has discussed so much was so valuable to them, they would have increased their issues of bank notes, but instead of that the burdens imposed upon this privilege and the want of profitable use of money have induced the banks to reduce their circulation by a much greater amount than it has been increased, so that the effect has been a large decrease of the currency of the country, but it has not been caused by the resumption act. Under the resumption act the amount of currency has been somewhat increased, since the amount of United States notes retired since its passage is, as he states it, \$35,328,984. But there was issued to national banks in place of this \$44,161,230 of circulating notes.

Now, these are the objections stated to the national banks by Judge Thurman, and my answer to them.

It comes back again to this: Shall we have in the United States a currency redeemable in coin? Will we, to save interest, bear in the future all the evils of an irredeemable currency, tear up a system of banks infinitely better than any ever before enjoyed in this country, compel these banks to call in their loans and close up their accounts, and add to the distress of the times by dangerous and almost revolutionary proceedings against corporations of our own creation, which have no special privileges, and which contribute to the general good by



paying large taxes and by acting as convenient localized agencies of loans and exchange.

And here I might leave Judge Thurman's speech, but there are two or three points which I regret I have to answer. He says :

The seat of the Chief Magistrate—that seat that in times past has been and in all times should be an emblem of purity and honor—is occupied by a man who was never elected to it, and whose elevation was accomplished by the grossest frauds and boldest usurpations that ever disgraced the history of a free people.

This declaration is a gross injustice, and I believe Judge Thurman will live to regret that he ever made it. He was a member of the Electoral Commission which passed upon the returns of the votes of electors for President. He knows that every electoral vote of every State cast for President Hayes was received by him without dispute, without any pretension of fraud or error, except the votes of Oregon, Florida, and Louisiana.

In Oregon there was an attempt by acknowledged agents of Governor Tilden to cheat—I use the word in its worst meaning—the Republicans out of that vote and to bribe an elector, and it failed. In Florida there had been great irregularities and frauds committed by the Democrats, which were met, to some extent, by frauds on the part of Republican officers ; but the evidence before the returning officers, as well as that taken in the contest for the election of a member of the House of Representatives, shows that a majority of the votes in Florida were fairly cast for the Hayes electors.

As to Louisiana, I had better means of information than Judge Thurman, and I say to you that the criminal conspiracy by the Democratic party of that State to control the election of 1876 so as to cast the vote of the State for Governor Tilden, has never been fully told. It extended to more than ten parishes or counties, and held in absolute terror five Republican parishes that had always since the war given about seven thousand Republican majority. It led to and included in its plan and scope scores of murders of Republicans, white and black, mainly intelligent black leaders of their race. It wounded, whipped, and maimed others, drove hundreds to the swamps at night, and spread universal terror among this ignorant and superstitious people, who had the same legal right, and a better moral right, to vote than their persecutors, whose hands were only recently red with the blood shed in war against the Union.

The chosen agents of this infamy were Democratic rifle-clubs fully armed, marching at night in disguise, distributing anonymous threats and occasionally executing them, and giving notice to leave the parish to the more intelligent, accompanied with threats and devices to excite fear and terror.

Such were the means used by the Democratic party to carry Louisiana. They may here and there induce a disappointed office-seeker like Anderson and Weber to falsify their former oaths, and even prevail upon poor negroes like Amy Mitchell and Mrs. Pinkston to withdraw their former depositions ; but the scores of dead men killed by the rifle-clubs speak from their graves, and the men who killed them and rode their nightly rides of terror know in their hearts that all that has

been said of them is true. The statements and affidavits made by these people were submitted to the local returning officers selected by the State Legislature, composed of two white men and two colored men, all natives of the South, and these men, who knew the surroundings and many of the facts, decided, in strict compliance with the law of that State, that under this law these parishes and polling-places must be excluded, and it was done. Thus Governor Hayes got the vote of Louisiana as lawfully and fully as that of Ohio.

All this cry of fraud and usurpation ought, in the minds of just men, to react with fearful effect against the Democratic party; for it was their organized crime and violence that created the doubt which the Returning Board and Electoral Commission decided in our favor.

And it must be remembered in this connection that there is a strong conviction, at least among the Republicans in this country, that the States of Mississippi and Alabama were secured for Governor Tilden by the same unlawful means, but the laws of those States provided no remedy, and they were counted for Tilden.

Judge Thurman should remember also that the history of the Democratic party has been marked in the past by great crimes against the elective franchise. The frauds in Plaquemine Parish, Louisiana, and in New York City, in 1844, will be remembered by every Whig in the land. Wholesale frauds committed in the city of New York in 1868, by which the vote of that State was cast for Seymour instead of for Grant, were disclosed by a Congressional committee, and are now admitted facts.

The frauds and crimes committed by the Democratic party in its attempt to organize the State of Kansas into a slave State were investigated by me as a member of a Congressional committee, and, though disputed at the time much more stoutly than the Louisiana frauds, are now acknowledged as facts.

The chief frauds in this country in elections have been organized by the Democratic party. One of the dangers which threaten the country if the Democratic party comes into power will be the bold and reckless use of election machinery to commit frauds and to organize violence, ballot-box-stuffing, and kindred crimes, as a part of our American system of politics.

The Republican party, in the heat of party zeal, has done something in this way. I have no apology to make for such crimes—no sympathy with them—and would denounce and expose such wrongs, by whatever party committed; but it is pretty hard for us Republicans to be lectured about election frauds by members of the Democratic party.

Again, he says:

Fellow citizens, nothing in politics seems more certain to me than that the Republican leaders rest their hopes of a prolongation of their power upon the success that may attend a studied and energetic effort on their part to excite and perpetuate sectional feeling.

It is a strange thing that the Republican party, distinguished for its national feeling, should be charged by the Democratic party with a desire to excite and perpetuate sectional feeling.

The strength of the Democratic party to-day, as before the war, lies

in a united South, held, not only by sectional feeling, but by sectional feeling antagonistic to the Union, intensified by its early advocacy of States' rights, its attempt at secession, and by four years of bloody and unsuccessful war against the Union. This sectional feeling is so rampant that it ostracizes native white men who become Republicans, holds in terror the entire black population, and by intimidation and ostracism prevents the free expression of opinion and the free vote of Republicans at elections in the South. The South is determined to be sectional, and as a section dominates the counsels of the Democratic party.

No intelligent man can doubt that if in the cotton States there was an open, fair opportunity to establish newspapers, to carry on a canvass, and to appeal to the natural instincts and interests of the voters of those States, a majority of every one of them would be with the Republican party.

The policy of President Hayes, his earnest desire and hope, is to destroy sectionalism, to invite by kindness and forbearance a like kindness and forbearance to the Republicans of the South. If this effort fails the South will be a slumbering volcano, which some day will break forth in retaliation and crime. For free men having constitutional rights can not be chained by violence. Intelligence and organization will soon enable them to assert their rights or deter the practice of such violence.

The Republican party is purely a national party. Its instincts are national, its policy is national. In no Republican State could anything like opposition to freedom of speech, freedom of the press, free discussion be tolerated, nor would any one for a moment be allowed to be deterred from voting as he pleased; while in some of the Democratic States in the South, such a thing as free speech and free press and reasonable toleration of opinion is scarcely recognized. The dominant press would denounce as a crime what we here in the North regard as the right of every citizen—to speak and vote as he chooses.

In the face of these facts the following statement by Judge Thurman seems to me the caricature of truth and justice :

It is not enough that the South has frankly and manfully accepted the results of the war; that, waiving all questions as to the mode of their adoption, no voice is raised against the binding force of the constitutional amendments; that every law passed by a radical Congress, however doubtful its constitutionality, or manifest its injustice and impolicy, is nevertheless obeyed.

I pass over, as a matter of taste, the inference he raises against the mode of adoption of the constitutional amendments, and the doubt he expresses as to the constitutionality of the laws to enforce them—to say that the Democratic party has not frankly and manfully accepted the results of the war; that it does not accept, observe, or enforce the constitutional amendments or the laws passed in aid of them. It is precisely of this that the Republican party complains; it will try to enforce, and, though temporarily divided and defeated, will continue to demand, and will certainly in time secure, the observance of these amendments. It was the organized plan to deprive the Republicans in Louisiana of the right to vote that occasioned the controversy there, and so in Mississippi and South Carolina.

I have no doubt that many of the planters, business men, and property-holders of the South, now acting with the Democratic party, are anxious to and in time will be able to protect the blacks in their rights, but they are not the dominating influence in the South. It is not they who, like Judge Thurman, denounce President Hayes as a usurper and a fraud, but thousands of them acknowledge that the policy adopted by the Republican party to the people of the South at the close of the war was without example in generosity in the history of the world, and they gratefully acknowledge that the policy of President Hayes will secure to the South peace, order, and prosperity.

But I, who supported this policy and shared in it, feel as do Republicans generally, that the South has never frankly or manfully responded to it. They do not enforce the amendments. They do not give equal civil and political rights to either white or black Republicans. They do not permit or tolerate that free expression of opinion, discussion, and action essential to a republican government; but, by their adherence to the very elements in the North that encouraged them to rebellion, that brought upon them the very waste and desolation of which they complain, they repel all efforts to break down the sectionalism of the past, and make it vitally necessary again to concentrate the people of the North in order to secure peace, order, and liberty.

Judge Thurman, in conclusion, says :

Do you wish the Union preserved? Then support those who would bind it together by the ties of fraternal feeling and a common interest, as well as by constitutions and laws. Do you revere justice and advocate equality of rights? Then support the party on whose banner "Justice and Equality" are indelibly inscribed.

"Do you wish the Union preserved?" What party ever threatened this Union? What party was arrayed in arms against it during the war, and what sacrifices were made for it in the North? Did ever any Republican seek to disturb the Union? "Justice and Equality!" When did the Democratic party distinguish itself for justice and equality?

Perhaps, fellow citizens, as an executive officer, I have erred in following Senator Thurman in so much of his speech as is purely political, but I am none the less a Republican and a partisan, and I trust the time will never come when I will cease to have pride in the merits and past achievements of the great party to which we belong. It is rather hard to have the Republican party, which has done so much for the existence and honor of our country, assailed so unjustly by Democrats, who, during the trying time of our history, have been passive and neutral. I promise you now to adhere, during the brief time I will detain you, to the business topics in which we are all alike interested.

Judge Thurman says :

Now, certainly no one will deny that this country has for the last five years suffered, as perhaps no other country ever did suffer, from depression in every branch of business in every industrial occupation.

I deny this statement *in toto*. That this country has suffered from depression in many branches of business and in many industrial occupations I admit, but every civilized and Christian country in the world

has suffered to a greater degree. In comparison with any nation of modern times our condition in every respect is more prosperous and happy. If you read the English, French, or German papers, you will find that our causes of complaint are nothing to be compared with theirs, while in our country there are many circumstances which relieve the general depression.

Let me name some of the hopeful signs of the times.

The whole period since the war, and before the panic, was a debt-contracting period. From July 1, 1863, to July 1, 1873, our imports exceeded our exports in the enormous sum of \$1,047,069,219. Much of this was for silks and furbelows, contracted for in the faith of corner lots marked up, of inflated fortunes suddenly acquired; but most of it was for articles that our own labor should have produced. It represented foreign capital loaned to our citizens and to corporations, and paid for in government and corporation bonds and private notes.

The same causes produced extravagant prices here. Wild schemes, railroads built twenty years in advance of their need, reckless expenditures, led to the contracting of numerous debts, and to the mortgaging of our corporations, homes, and farms.

Since the panic the whole condition of our trade and business has changed. Since 1874 our exports have exceeded our imports in the sum of \$507,459,237.

During the last fiscal year the excess of exports was \$257,459,250, the aggregate of our exports reaching the sum of \$680,683,798, and during this fiscal year this excess is increasing. This is a debt-paying process. The great body of the debts contracted before the panic is now settled, either by payment, or bankruptcy, or readjustment.

At one time it was estimated that the amount of United States bonds held abroad approached \$1,000,000,000. Two years ago the general estimate was about \$600,000,000. Now, after the most careful examination, it is estimated somewhere near \$200,000,000 to \$250,000,000.

The common fear expressed for the success of any plan of resumption was that foreign nations could at once, by a return of our bonds, exhaust our gold and thus defeat resumption; but this is no longer to be feared when the surplus exports for a single year would pay off every dollar of our national debt held beyond the limits of the United States.

Last winter, when an exaggerated fear prevailed in Europe as to the effect of the silver bill, \$60,000,000 of our bonds were promptly absorbed by our own people in sixty days; and, although this stopped the sale of bonds by the Treasury, it strengthened our position by bringing them home.

Another favorable sign of the times is the very large increase of domestic production, both of the farm and of the workshop, which not only fill the place of goods heretofore imported, but enable us to compete with foreign nations in their own markets.

I have here a recent table showing the increase of leading exports of our own production. This shows that our exports of cotton, iron, steel, copper, leather, and other manufactures have increased within ten years nearly twofold, and that the exports of our agricultural imple-

ments and provisions have increased nearly threefold. The total amount of certain leading commodities exported in 1868 was \$141,000,000, and in 1878 was \$404,000,000, showing an increase of \$263,000,000.

Another table shows that our importation of certain fabrics which we can readily make in this country has diminished nearly one half. Of textile fabrics, including manufactures of cotton, silk, clothing, and dress goods, the amount imported into this country in 1873 was \$159,000,000; the amount imported in 1878 was \$85,000,000, making a diminution of \$74,000,000, most of which was supplied by our own production.

The imports of iron and steel in various forms in 1873 was \$59,308,452, while in 1878 it had fallen to \$9,057,633, showing a diminution of \$50,250,849. This falling off was supplied by our own industry.

The total of the leading manufactures named in this table imported in 1873 was \$272,957,633, and during the fiscal year ending June 30, 1878, it was \$124,211,734, making a falling off of \$148,747,899. This great decrease was especially noticeable in the imports of manufactures of cotton, silk, wool, iron, and steel.

This increase of our exports and diminution of our imports is perhaps the most remarkable in modern times.

We are competing in cotton fabrics with Manchester, in cutlery with Sheffield, in iron and steel with Birmingham, in watches with Switzerland, and in gloves with France. It is a debt-paying and trade-developing process that is adding immensely to our wealth.

Our progress toward resumption is accompanied by increased national credit, and by a large reduction of the interest of the public debt.

Under the refunding act, which is designed to convert our six per cent. bonds into bonds bearing a lower rate of interest, we have already sold at par in coin, \$500,000,000 of five per cent. bonds, \$246,000,000 of four and a half per cent. bonds, and \$135,000,000 of four per cent. bonds, the proceeds of which (except \$90,000,000 sold for gold coin now in hand) have been applied to pay an equal amount of six per cent. debt, making an annual saving in the interest of the debt of \$10,000,000; and we are now daily selling the four per cent. bonds directly to the people upon the basis of a popular loan in sums as low as \$50. These bonds have become the savings banks of the people, a safe deposit for their surplus money, always available for use when needed, and depending upon the honor of the nation, and, therefore, safe from loss.

The most satisfactory feature of this loan is that it is held in small sums by great numbers of our fellow citizens, and is distributed throughout all the States in the Union. During the first twenty days of the present month our sales of four per cent. bonds amount to \$20,000,000, and I now have the confident assurance that during this year they will exceed \$100,000,000, and will pay off all the five-twenty six per cent. bonds of the issue of 1865.

The United States is now the largest producer of gold and silver in the world. During the last year the estimated production of gold was \$45,000,000, and of silver \$39,000,000; and though the Comstock lode gives evidence of exhaustion, other mines are being discovered, and the

probabilities are that our production will increase rather than diminish. This is an important element in the question of our ability to maintain resumption.

Then, again, the enormous development of our agricultural production, the chief employment of our people, gives a source of wealth and prosperity unexampled in any nation in modern times. From the Atlantic to the Pacific, from Canada to the Gulf of Mexico, our country has been blessed with bountiful harvests, assuring plenty of food to all our people, and an increase of our exports to Europe. I understand that a rich stream of wheat is now pouring into your port for shipment.

It is this industry which lies at the foundation of our prosperity, and which invites now millions of laborers to aid in the development of uncultivated lands. The war withdrew from agriculture millions of laborers who are again invited to join in this most healthful and happy pursuit of life, and the crowded cities are freely invited to send their surplus population to fruitful fields and bountiful harvests.

After the war of 1812 the migration commenced which peopled Ohio, Indiana, and Illinois; and, although there are no such rich lands open now for settlement, yet Texas, Kansas, Nebraska, and the whole tier of States west of the Missouri river, together with the undeveloped Territories of the West, invite migration and insure to labor a just reward, and offer facilities for transportation and settlement that our fathers did not enjoy.

And now, fellow citizens, in conclusion, let me invite your attention briefly to the agitation of the labor question, not only in this country, but in other countries where production has exceeded consumption and thrown out of employment many industrious laboring men, and paralyzed important branches of industry, especially of the iron and coal industries.

I know that in some places labor is depressed, that wages are low, that many a willing hand finds it hard to get work, and sometimes hungry men, women, and children want food and clothing; and shame be to him who does not sympathize with such suffering and relieve it if possible. No wonder that honest labor grows soured at the inequalities of life, and sometimes listens to the cry of the demagogue that human laws have caused this distress, and that if he was in office he could furnish redress.

The same distress in a far greater degree exists in Great Britain, France, Germany, and all civilized nations, whatever may be their forms of currency or standards of value. The only remedy would seem to be to pursue new industries and seek new markets to be supplied. Our own country is blessed with cheap lands inviting labor, and the energy of our own people, as I have shown, is already discovering increased employment in supplying productions heretofore made abroad, and in sending our home productions to foreign countries. All that the Government can do within its limited powers it ought to do to encourage, protect, and foster labor.

And I can say of our laws and institutions that they are far more favorable to the laboring man than those of any other country; and any idea, or reform, or measure that is proposed to relieve and protect

labor finds in the Republican party its earnest and sympathetic advocate. That party has done more for the protection and development of labor than any other.

Our Constitution and laws guarantee to every man equal civil and political rights. Property is more equally distributed here than elsewhere, except in France; and, excluding the negroes who but recently acquired the right to vote, a greater proportion of our citizens are property-holders. More than two thirds of our voters, with this exception, are property-holders, and the rest want to be, hope to be, and can be.

This country of ours is not a permanent field for tramps and communists. Our laws for the distribution of property tend directly and rapidly to distribute large estates.

Property here is required to pay more tribute to labor than in any country in the world.

Property educates the children, maintains all your charitable institutions, your streets, roads, and local improvements, and all parts of National, State, and local government.

The very few taxes that attach to those who have no property are on whisky, tobacco, and beer, which are voluntary taxes.

If the Government can do more to protect labor, it will. It offers to every citizen a homestead on the public lands. It offers every man an equal chance. Every office and honor is open to equal competition, and it gives to no man rank, title, or advantage except what he himself acquires.

This is all that a free government can do. It can not take the property of the rich and divide it among the poor. It can not, as is proposed, take the public treasure, collected by taxes, and distribute it in any other way than for the limited proper objects provided for by the Constitution. It can not control contracts men make with each other, except where they are grossly immoral or violate public policy. Its office is spent when it secures freedom, equality, and an equal chance in the race of life.

While the sympathies of the Republican party must ever be with the laboring man, it can not violate the fundamental principles of free government, in order to favor any class, or refuse to protect any class in the enjoyment of life, property, and the fruits of labor.

In the general management of your affairs the Republican party has done all that it could do to develop the national resources and maintain the national honor, to protect all men in equal rights, to secure to all men equal privileges and an equal chance in life; and it is ready to adopt any proper and constitutional mode of relieving distress and advancing the interests of any portion of the people. I can safely appeal to all of you who have shared in the honors and labors of this party, to still stand by its flag, now that the difficulties of the recent past are passing away, with the full hope that our country, always advancing and prospering since liberty was first proclaimed by our Revolutionary fathers, is still destined to advance, under the guidance of the Republican party, to higher honor and greater prosperity.



## APPENDIX A.

*Values of the principal commodities of domestic production, the exportation of which greatly increased from June 30, 1868, to June 30, 1878.*

COMMODITIES.	YEAR ENDING JUNE 30.		Increase.
	1868.	1878.	
Agricultural implements . . . . .	\$678,381	\$2,575,198	\$1,901,817
Live animals . . . . .	738,395	5,844,653	5,111,258
Bread and breadstuffs . . . . .	68,980,997	181,774,507	112,793,510
Coal . . . . .	1,516,220	2,359,467	843,247
Copper, brass, and manufactures of . .	939,250	3,078,349	2,139,099
Cotton, manufactures of . . . . .	4,871,054	11,435,628	5,564,574
Fruit . . . . .	406,512	1,876,969	970,457
Iron, steel, and manufactures of . . . .	6,389,429	12,084,048	5,694,619
Leather, and manufactures of . . . . .	1,414,372	8,077,659	6,663,287
Oil-cake . . . . .	2,913,448	5,095,163	2,181,715
Coal oil and petroleum . . . . .	21,810,676	46,574,974	24,764,298
Provisions . . . . .	30,278,253	123,546,986	93,271,733
<b>Total . . . . .</b>	<b>\$140,926,987</b>	<b>\$403,826,601</b>	<b>\$262,899,614</b>

## APPENDIX B.

*Values of the principal commodities of foreign production, the importation of which greatly decreased from June 30, 1873, to June 30, 1878.*

COMMODITIES.	VALUE IMPORTED DURING YEAR ENDING		Decrease since 1873.
	June 30, 1878.	June 30, 1873.	
Clocks, watches, and materials . . . . .	\$3,274,825	\$812,532	\$2,462,243
<i>Textiles :</i>			
Manufactures of cotton . . . . .	\$29,752,116	\$14,398,791	\$15,353,325
Manufactures of flax . . . . .	20,428,391	11,490,758	8,937,533
Manufactures of silk . . . . .	29,885,867	19,701,731	10,184,136
Clothing . . . . .	8,551,161	6,676,789	1,874,372
<i>Wool :</i>			
Unmanufactured . . . . .	20,433,938	8,363,015	12,070,923
Carpets . . . . .	4,388,257	398,389	3,989,868
Dress goods . . . . .	19,447,797	12,055,806	7,391,991
Other manufactures of . . . . .	26,626,721	12,269,852	14,356,869
<b>Total textiles . . . . .</b>	<b>\$159,464,248</b>	<b>\$85,355,131</b>	<b>\$74,109,117</b>
<i>Iron and Steel :</i>			
Bar, rod, sheet, and hoop . . . . .	\$7,477,556	\$1,630,707	\$5,846,849
Iron in pigs . . . . .	13,847,281	1,250,057	12,597,224
Railroad bars . . . . .	19,740,702	530	19,740,172
Anchor, chains, and other . . . . .	3,594,900	920,790	2,674,110
Steel ingots, bars, etc. . . . .	4,155,234	1,220,037	2,935,197
Steel cutlery, saws, etc. . . . .	10,492,779	4,035,512	6,457,267
<b>Total iron and steel . . . . .</b>	<b>\$59,308,452</b>	<b>\$9,057,633</b>	<b>\$50,250,819</b>
Copper, brass, and manufactures of . .	\$3,966,471	\$617,188	\$3,349,283
Lead in pigs and hars . . . . .	8,222,627	353,936	2,868,691
Tin and tin plates . . . . .	18,366,653	12,112,532	6,244,121
India rubber and gutta percha . . . . .	900,187	242,564	657,623
Tea . . . . .	24,466,170	15,660,163	8,806,002
<b>Grand total . . . . .</b>	<b>\$272,959,633</b>	<b>\$124,211,734</b>	<b>\$148,747,899</b>

## CONDITION OF THE COUNTRY.

*SPEECH AT CUMBERLAND, MARYLAND, OCTOBER 24, 1878.*

THE best return for the kind reception you have given the President and his associates will be to confine myself, in the brief speech he desires me to make, to a statement of such facts as will exhibit the financial condition of our country. I take it that most of you are farmers, and that all, including the lawyers and doctors—who, though not good producers, are very good consumers—are interested in the growth and development of the trade, commerce, and industries of our country. I wish to state some facts, taken mainly from the records of the Treasury Department, which will tend, I think, to show you that our business condition is improving, and that though we have, in common with other nations, suffered from depressed trade and industry, yet that the causes for this are passing away, and that now the signs are hopeful and cheering.

One mode of testing the condition of a country is by its foreign trade. There are a good many theories about the balance of trade, but one thing we all understand to be as true of a nation as of an individual. If one sells more than he buys, he grows richer—especially is this true of the products of a farm if it is all the time improving; if he buys more than he sells, he grows poorer. Tested by this simple rule, the condition of our country is now very satisfactory—more so than ever before in our history. We have imported goods from foreign countries during the last twelve months to the value of \$430,855,017; we have sold to foreign countries during the same period goods to the value of \$720,484,171; thus leaving a balance in our favor of \$289,629,154. This is a much larger balance in our favor than has ever occurred before in our history, and this balance is represented either by debts paid by us or money paid to us—mostly by debts paid by us. All this sum has been returned to us from Europe either in bonds of the United States or in other securities held abroad, or in money; and this favorable balance of trade has now continued for four or five years, so that our debt to Europe is mostly paid, and our country is rapidly ceasing to be a debtor nation except to its own citizens.

Another simple mode of testing our financial condition is by the increase or decrease of our domestic productions. Here again we are in a satisfactory condition. Nearly all domestic productions have largely increased, and especially those of the farm and workshop. Compared with 1870, when our domestic productions were stated at \$6,800,000,000, they have largely increased.

The great increase in some of the principal productions which constitute the basis of our material prosperity is shown by the following table:

*Production.*

COMMODITIES.	YEAR.	
	1873.	1878.
Corn.....bushels.	932,274,000	1,342,553,000
Wheat.....do.	281,254,700	365,094,000
Rye.....do.	15,142,000	21,170,100
Oats.....do.	270,340,000	406,394,000
Cotton.....bales.	3,930,508	4,811,265

By comparing the figures of 1877 with those of the census year of 1870, it appears that the total production of coal in the United States rose from 32,860,690 tons in 1870 to 54,308,000 tons in 1877, and that the production of pig iron in the United States increased from 1,865,000 tons in 1870 to 2,314,585 tons in 1877.

The production of petroleum (now constituting one of the most important articles of exportation) increased from 5,673,195 barrels in 1870 to 13,135,671 barrels in 1877.

Compared with any former year, the aggregate of these productions has very largely increased. We are blessed by Divine Providence with fruitful seasons, and these have been improved by the industry of our people. This vast aggregate of wealth, though won by hard labor not very well paid, greatly improves our financial condition, and enables us to look into the future without fear of want, and with an abundance with which to pay our debts and supply the wants of Europe.

Another good sign is in the growing diversity of our productions. The wealth of a country depends upon this. No country can be prosperous whose industry is confined to one pursuit. We are now making at home many articles that we formerly imported. The fact that, with respect to certain of the great manufacturing industries, we have obtained control of our own markets, is shown by the great falling off in the importation of certain commodities from 1873 to 1878. This is indicated by the following table:

COMMODITIES.	IMPORTED DURING THE YEAR ENDED JUNE 30.	
	1873.	1878.
Manufactures of cotton.....	\$29,752,116	\$14,398,791
Manufactures of flax.....	20,428,391	11,490,758
Manufactures of silk.....	29,835,867	19,701,731
Manufactures of carpets.....	4,388,257	398,389
Copper, brass, and other manufactures of.....	8,966,471	617,188
Railroad bars.....	19,740,702	530

And so I might go on through an immense category of the products of our industries.

While the importation of railroad bars fell off to the extent shown above, from \$19,000,000 to \$530, the production of iron and steel bars in the United States increased from 2,958,141 tons during the five years from 1867 to 1871 to 4,056,340 tons during the five years from 1873 to

1877—an increase of thirty-seven per cent. Now we supply our own wants of the same articles by domestic manufacture.

Not only this, but we have so increased our skill in the industrial arts that we are largely supplying our home markets with certain of the more important articles of manufacture, which but a few years ago we imported in large quantities, and this in face of the hard times of the last six years.

We have also greatly increased the exportation of certain commodities to foreign countries.

I will mention a few of the principal of these commodities:

The exportation of manufactures of cotton increased from \$2,947,528 during the year ending June 30, 1873, to \$11,435,628 during the year ending June 30, 1878.

Our exports of iron and manufactures of iron, including steel, rose from \$10,000,000 in 1873 to \$12,000,000 in 1878.

Our exports of leather and manufactures of leather increased from \$5,305,000 in 1873 to \$8,077,000 in 1878; and our exports of copper and brass and manufactures thereof rose from \$753,000 during the year 1873 to \$3,078,000 during the year 1878.

The schedule might be extended so as to embrace many highly wrought products of industry, including watches, clocks, sewing-machines, locomotives, cars, steam-machinery, etc., etc. We are now competing with our productions in the different marts of the world in all the leading articles of manufacture.

Another hopeful sign is the better distribution of our population. The tendency since the war has been to concentrate into cities. All the large cities grew rapidly, but the farms and villages were deserted. While the waste of war and the excitement of inflated prices lasted, cities flourished; but when the bubble burst and reverses came, the blow fell mainly upon the cities. Corner lots fell and paper fortunes disappeared in a day. Thousands of men were thrown out of work. They could not comprehend the cause. Many of these, by reviving business, are now again employed; but tens of thousands have bettered their condition by seeking new homes in the West and South, where rich land and fruitful harvests invite them to the cultivation of the soil, the highest employment of life. All accounts concur that the population of Texas, Kansas, Nebraska, Iowa, and Minnesota has very largely increased during the last two years. In these Western homes some of your old comrades have found the star of their life.

Another hopeful sign is the advancing credit of our country. Certainly every American citizen will take pride in the fact that our four per cent. bonds are daily taken at par in coin. Though the rate of interest is low, yet the feeling of trust and security in the good faith and honor of our people makes every one feel *safe* when he holds a Government bond. The amount of these bonds sold last year was \$74,900,000, and this year, thus far, \$83,359,850; in all, \$158,259,850. All of these bonds are held by our own citizens, and three fourths of them by small investors, or by savings banks and insurance companies. This process enables us rapidly to pay off our six per cent. bonds, and reduce the interest paid by the Government one third.

Another mode of testing our financial condition is in our economy. Here again we all know there has been an improvement. Economy has been the rule, not only of the nation, but of every family. The extravagance of a period of inflation produced the bitter effects of the panic under which we have suffered; but this suffering has compelled thrift, economy, and great prudence, and these homely virtues have brought us rich rewards. Debts have been paid. This thrift has extended to the National Government, so that our national expenses have largely decreased. In 1873 they amounted to \$290,345,245. During the last year they amounted to \$236,964,326. Both parties, perhaps I had better say all parties, are claiming credit for this, and the people wish them a generous rivalry in pushing forward this good work.

But the question upon which I know, fellow citizens, you desire most to hear from me, is about our currency—whether our currency is to be restored to the specie standard, and our industry to be measured by the solid coin of the world.

Here again our condition is greatly improved. Six years ago, in 1873, when the panic came upon us like a thief in the night, without warning or notice, our paper money, which measured all values, was worth only eighty-six cents on the dollar in coin; now it is worth within a very small fraction of the best coin issued from the mint. Then the bond-holder received gold and the laboring man received depreciated paper money. This distinction was made necessary during the war in order to sell our bonds, yet it was a matter of complaint that this discrimination was not removed as soon as practicable. This is now almost accomplished, and who would desire it otherwise? All money should have equal value, and the best standard is coin money. I do not say that coin money should be the only money; for I believe that paper money equal to coin is, for current purposes, more convenient than coin money; but the only test of its equality to coin is that it is redeemable in coin on the demand of the holder. I have no wish to enter upon the controverted political question whether the best mode has been adopted to bring this about, for upon this point we might honestly differ; but upon one point I think we can all agree, that having gold, silver, and paper money so near to each other, we will not allow the gap to widen again, but that all money shall be of equal purchasing power, so that the rich and the poor, the bond-holder and the note-holder, the land-owner and the laborer, may have, as he chooses, either form of money for his labor and productions.

I am frequently asked whether we can maintain the equality of this money after resumption. I say, without hesitation, that we can do so; but we must not force the issue of either form of money when its convenience, the popular demand for it, and the separate uses for which it is designed, will not keep it at par with the other.

Under the resumption act of 1875, the maintenance of resumption after January, 1879, was a very easy problem. It was resumption upon \$300,000,000 of United States notes, and upon one coin, that of gold. Congress, by law, requires resumption upon \$346,000,000 of United States notes. It also requires resumption upon gold and silver coin,

but the bullion in the two coins is of unequal value, the silver in the dollar being worth in gold only eighty-three cents. If the market value of these metals was at or about the relative value fixed by law for their coinage, resumption in both metals would be much easier than in either. It would be very easy to resume in silver dollars alone, but it is resumption in gold coin, as well as silver, that is provided for by law as well as by public policy. The coining of \$2,000,000 monthly of silver dollars of full legal tender is a disturbing element which we can not now compute. We can only hope that, before the issue of silver is greatly increased, Congress will either limit its amount or make it contain enough silver to be equal in value to gold.

We have now in circulation \$346,000,000 of greenbacks, of which more than sixty millions is held in reserve. We have now \$137,000,000 in gold and silver coin and bullion in the Treasury, over and above all other coin liabilities, to redeem any notes that are presented. It is believed that the superior convenience of paper money for all the uses of life will make it pass readily in preference to gold and silver as long as the Government shows a determination to maintain it at par with coin, and will freely use its ample powers for that purpose. Gold is now coming to us from Europe for our productions. We are buying gold and silver in North Carolina, Colorado, Nevada, California, and Montana at par with paper money, and our mines are now yielding annually one hundred millions of precious metals to reënforce our stock. We have as a supplemental or ancillary paper money three hundred and twenty-two millions of bank notes, absolutely secured beyond danger of loss, issued by corporations scattered through the country, and abundantly able and required to keep their notes at par, and, if they fail, with assets in our hands ample to make their promise good. I therefore say with confidence that, unless the people prefer irredeemable money, we will have redeemable money at par with gold coin, unless the people demand that silver coin of a kind less valuable than gold coin shall be issued in such quantities as to drive out of circulation gold coin, and thus become the sole standard of value.

But the brightest promise of the future is that our people, inhabiting the fairest portion of a continent, fresh for profitable labor, are becoming day by day one people, united in hope, confidence, and fraternity; that the jealousies, dissensions, and sectional contests of the past are disappearing. Accursed be the man who would reopen these dissensions, or would deny to any man the free and equal and peaceable enjoyment of any right given to him by the Constitution and laws of our land. It is only on this platform we can build our hopes for the future. If we can all stand on this, there is no hope or aspiration for our country we may not indulge—peace, plenty, and prosperity, liberty, equality, and fraternity—the law as our master and guide.

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## ANNUAL REPORT TO CONGRESS.

TREASURY DEPARTMENT,  
WASHINGTON, D. C., December 2, 1878.

SIR :

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The important duty imposed on this Department by the resumption act, approved January 14, 1875, has been steadily pursued during the past year. The plain purpose of the act is to secure to all interests and all classes the benefits of a sound currency, redeemable in coin, with the least possible disturbance of existing rights and contracts. Three of its provisions have been substantially carried into execution by the gradual substitution of fractional coin for fractional currency, by the free coinage of gold, and by free banking. There remains only the completion of preparations for resumption in coin on the 1st day of January, 1879, and its maintenance thereafter upon the basis of existing law.

At the date of my annual report to Congress in December, 1877, it was deemed necessary as a preparation for resumption to accumulate in the Treasury a coin reserve of at least forty per cent. of the amount of United States notes outstanding. At that time it was anticipated that under the provisions of the resumption act the volume of United States notes would be reduced to \$300,000,000 by the 1st day of January, 1879, or soon thereafter, and that a reserve in coin of \$120,000,000 would then be sufficient. Congress, however, in view of the strong popular feeling against a contraction of the currency, by the act approved May 31, 1878, forbade the retirement of any United States notes after that date, leaving the amount in circulation \$346,681,016. Upon the principle of safety upon which the Department was acting, that forty per cent. of coin was the smallest reserve upon which resumption could prudently be commenced, it became necessary to increase the coin reserve to \$138,000,000.

At the close of the year 1877 this coin reserve, in excess of coin liabilities, amounted to \$63,016,050.96, of which \$15,000,000 were obtained by the sale of four and a half per cent., and \$25,000,000 by the sale of four per cent. bonds, the residue being surplus revenue. Subsequently, on the 11th day of April, 1878, the Secretary entered into a contract with certain bankers in New York and London—the parties to the previous contract of June 9, 1877, already communicated to Congress—for the sale of \$50,000,000 four and a half per cent. bonds for resumption purposes. The bonds were sold at a premium of one and a half per cent. and accrued interest, less a commission of one half of one per cent. The contract has been fulfilled, and the net proceeds, \$50,500,000, have been paid into the Treasury in gold coin. The \$5,500,000 coin paid on the Halifax award have been replaced by the sale of that amount of four per cent. bonds sold for resumption purposes, making the aggregate amount of bonds sold for these purposes \$95,500,000, of which \$65,000,000 were four and a half per cent. bonds, and \$30,500,000 four per cent. bonds. To this has been added

the surplus revenue from time to time. The amount of coin held in the Treasury on the 23d day of November last, in excess of coin sufficient to pay all accrued coin liabilities, was \$141,888,100, and constitutes the coin reserve prepared for resumption purposes. This sum will be diminished somewhat on the 1st of January next by reason of the large amount of interest accruing on that day in excess of the coin revenue received meanwhile.

In anticipation of resumption, and in view of the fact that the redemption of United States notes is mandatory only at the office of the Assistant Treasurer in the city of New York, it was deemed important to secure the coöperation of the associated banks of that city in the ready collection of drafts on those banks and in the payment of Treasury drafts held by them. A satisfactory arrangement has been made by which all drafts on the banks held by the Treasury are to be paid at the clearing house, and all drafts on the Treasury held by them are to be paid to the clearing house at the office of the Assistant Treasurer, in United States notes; and, after the 1st of January, United States notes are to be received by them as coin. This will greatly lessen the risk and labor of collections both to the Treasury and the banks.

Every step in these preparations for resumption has been accompanied with increased business and confidence. The accumulation of coin, instead of increasing its price, as was feared by many, has steadily reduced its premium in the market. The depressing and ruinous losses that followed the panic of 1873 had not diminished in 1875, when the resumption act passed; but every measure taken in the execution or enforcement of this act has tended to lighten these losses and to reduce the premium on coin, so that now it is merely nominal. The present condition of our trade, industry, and commerce, hereafter more fully stated, our ample reserves, and the general confidence inspired in our financial condition, seem to justify the opinion that we are prepared to commence and maintain resumption from and after the first day of January, A. D. 1879.

The means and manner of doing this are left largely to the discretion of the Secretary, but, from the nature of the duty imposed, he must restore coin and bullion, when withdrawn in the process of redemption, either by the sale of bonds, or the use of the surplus revenue, or of the notes redeemed from time to time.

The power to sell any of the bonds described in the refunding act continues after as well as before resumption. Though it may not be often used, it is essential to enable this Department to meet emergencies. By its exercise it is anticipated that the Treasury at any time can readily obtain coin to reënforce the reserve already accumulated. United States notes must, however, be the chief means under existing law with which the Department must restore coin and bullion when withdrawn in process of redemption. The notes, when redeemed, must necessarily accumulate in the Treasury until their superior use and convenience for circulation enable the Department to exchange them at par for coin or bullion.

The act of May 31, 1878, already referred to, provides that when



United States notes are redeemed or received in the Treasury under any law, from any source whatever, and shall belong to the United States, they shall not be retired, canceled, or destroyed, but shall be reissued and paid out again and kept in circulation.

The power to reissue United States notes was conferred by section 3579, Revised Statutes, and was not limited by the resumption act. As this, however, was questioned, Congress wisely removed the doubt.

Notes redeemed are like other notes received into the Treasury. Payments of them can be made only in consequence of appropriations made by law, or for the purchase of bullion, or for the refunding of the public debt.

The current receipts from revenue are sufficient to meet the current expenditures as well as the accruing interest on the public debt. Authority is conferred by the refunding act to redeem six per cent. bonds as they become redeemable, by the proceeds of the sale of bonds bearing a lower rate of interest. The United States notes redeemed under the resumption act are, therefore, the principal means provided for the purchase of bullion or coin with which to maintain resumption, but should only be paid out when they can be used to replace an equal amount of coin withdrawn from the resumption fund. They may, it is true, be used for current purposes like other money, but when so used their place is filled by money received from taxes or other sources of revenue.

In daily business no distinction need be made between moneys from whatever source received, but they may properly be applied to any of the purposes authorized by law. No doubt coin liabilities, such as interest or principal of the public debt, will be ordinarily paid and willingly received in United States notes, but, when demanded, such payments will be made in coin; and United States notes and coin will be used in the purchase of bullion. This method has already been adopted in Colorado and North Carolina, and arrangements are being perfected to purchase bullion in this way in all the mining regions of the United States.

By the act approved June 8, 1878, the Secretary of the Treasury is authorized to constitute any superintendent of a mint or assayer of any assay office an assistant treasurer of the United States to receive gold coin or bullion on deposit. By the legislative appropriation bill, approved July 19, 1878, the Secretary of the Treasury is authorized to issue coin certificates in payment to depositors of bullion at the several mints and assay offices of the United States. These provisions, intended to secure to the producers of bullion more speedy payment, will necessarily bring into the mints and Treasury the great body of the precious metals mined in the United States, and will tend greatly to the easy and steady supply of bullion for coinage. United States notes, when at par with coin, will be readily received for bullion instead of coin certificates, and with great advantage and convenience to the producers.

Deposits of coin in the Treasury will, no doubt, continue to be made after the 1st of January, as heretofore. Both gold and silver coin, from its weight and bulk, will naturally seek such a safe deposit, while

notes redeemable in coin, from their superior convenience, will be circulated instead. After resumption the distinction between coin and United States notes should be, as far as practicable, abandoned in the current affairs of the Government; and therefore no coin certificates should be issued except where expressly required by the provisions of law, as in the case of silver certificates. The gold certificates hitherto issued by virtue of the discretion conferred upon the Secretary will not be issued after the 1st of January next. The necessity for them during a suspension of specie payments is obvious, but no longer exists when by law every United States note is, in effect, a coin certificate. The only purpose that could be subserved by their issue hereafter would be to enable persons to convert their notes into coin certificates, and thus contract the currency and hoard gold in the vaults of the Treasury without the inconvenience or risk of its custody. For convenience United States notes of the same denomination as the larger coin certificates will be issued.

By existing law, customs duties and the interest of the public debt are payable in coin, and a portion of the duty was specifically pledged as a special fund for the payment of the interest, thus making one provision dependent upon the other. As we can not, with due regard to the public honor, repeal the obligation to pay coin, we ought not to impair or repeal the means provided to procure coin. When, happily, our notes are equal to coin, they will be accepted as coin, both by the public creditor and by the Government; but this acceptance should be left to the option of the respective parties, and the legal right on both sides to demand coin should be preserved inviolate.

The Secretary is of the opinion that a change of the law is not necessary to authorize this Department to receive United States notes for customs duties on and after the 1st day of January, 1879, while they are redeemable and are redeemed on demand in coin. After resumption it would seem a useless inconvenience to require payment of such duties in coin rather than in United States notes. The resumption act, by clear implication, so far modifies previous laws as to permit payments in United States notes as well as in coin. The provision for coin payments was made in the midst of war, when the notes were depreciated and the public necessities required an assured revenue in coin to support the public credit. This alone justified the refusal by the Government to take its own notes for the taxes levied by it. It has now definitely assumed to pay these notes in coin, and this necessarily implies the receipt of these notes as coin. To refuse them is only to invite their presentation for coin. Any other construction would require the notes to be presented to the Assistant Treasurer in New York for coin, and, if used in the purchase of bonds, to be returned to the same officer, or, if used for the payment of customs duties, to be carried to the Collector of Customs, who must daily deposit in the Treasury all money received by him. It is not to be assumed that the law requires this indirect and inconvenient process after the notes are redeemable in coin on demand of the holder. They are then at a parity with coin, and both should be received indiscriminately.

If United States notes are received for duties at the port of New

York, they should be received for the same purpose in all other ports of the United States, or an unconstitutional preference would be given to that port over other ports. If this privilege is denied to the citizens of other ports, they could make such use of these notes only by transporting them to New York and transporting the coin to their homes for payment; and all this not only without benefit to the Government, but with a loss in returning the coin again to New York, where it is required for redemption purposes.

The provision in the law for redemption in New York was believed to be practical redemption in all parts of the United States. Actual redemption was confined to a single place from the necessity of maintaining only one coin reserve, where the coin could be easily accumulated and kept.

With this view of the resumption act, the Secretary will feel it to be his duty, unless Congress otherwise provides, to direct that after the 1st day of January next, and while United States notes are redeemed at the Treasury, they be received the same as coin by the officers of this Department in all payments in all parts of the United States.

If any further provision of law is deemed necessary by Congress to authorize the receipt of United States notes for customs dues or for bonds, the Secretary respectfully submits that this authority should continue only while the notes are redeemed in coin. However desirable continuous resumption may be, and however confident we may feel in its maintenance, yet the experience of many nations has proven that it may be impossible in periods of great emergency. In such events the public faith demands that the customs duties shall be collected in coin and paid to the public creditors, and this pledge should never be violated or our ability to perform it endangered.

Heretofore the Treasury, in the disbursement of currency, has paid out bills of any denomination desired. In this way the number of bills of a less denomination than five dollars is determined by the demand for them. Such would appear to be the true policy after the 1st of January. It has been urged that, with a view to place in circulation silver coins, no bills of less than five dollars should be issued. It would seem to be more just and expedient not to force any form of money upon a public creditor, but to give him the option of the kind and denomination. The convenience of the public in this respect should be consulted. The only way by which moneys of different kinds and intrinsic values can be maintained in circulation at par with each other is by the ability, when one kind is in excess, to readily exchange it for the other. This principle is applicable to coin as well as to paper money. In this way the largest amount of money of different kinds can be maintained at par, the different purposes for which each is issued making a demand for it. The refusal or neglect to maintain this species of redemption inevitably effects the exclusion from circulation of the most valuable, which thereafter becomes a commodity, bought and sold at a premium.

When the resumption act was passed, gold was the only coin which by law was a legal tender in payment of all debts. The act contemplated resumption in gold coin only. No silver coin of full legal tender

could then be lawfully issued. The only silver coin provided was fractional coin, which was a legal tender for five dollars only. The act approved February 28, 1878, made a very important change in our coinage system. The silver dollar provided for was made a legal tender for all debts, public and private, except where otherwise expressly stipulated in the contract. The amount of this coin issued will more properly be stated hereafter, but its effect upon the problem of resumption should be here considered.

The law itself clearly shows that the silver dollar was not to supersede the gold dollar; nor did Congress propose to adopt the single standard of silver, but only to create a bimetallic standard of silver and gold, of equal value and equal purchasing power. Congress, therefore, limited the amount of silver dollars to be coined to not less than two millions nor more than four millions per month, but did not limit the aggregate amount nor the period of time during which this coinage should continue. The market value of the silver in the dollar, at the date of the passage of the act, was ninety-three and a quarter cents in gold coin; now it is about eighty-six cents in gold coin. If it was intended by Congress to adopt the silver instead of the gold standard, the amount provided for is totally inadequate for the purpose. Experience, not only in this country but in European countries, has established that a certain amount of silver coin may be maintained in circulation at par with gold; though of less intrinsic bullion value. It was, no doubt, the intention of Congress to provide a coin in silver which would answer a multitude of the purposes of business life, without banishing from circulation the established gold coin of the country. To accomplish this, it is indispensable either that the silver coin be limited in amount, or that its bullion value be equal to that of the gold dollar. If not, its use will be limited to domestic purposes. It can not be exported except at its commercial value as bullion. If issued in excess of demands for domestic purposes, it will necessarily fall in market value, and, by a well-known principle of finance, will become the sole coin standard of value. Gold will be either hoarded or exported. When two currencies, both legal, are authorized without limit, the cheaper alone will circulate. If, however, the issue of the silver dollars is limited to an amount demanded for circulation, there will be no depreciation, and their convenient use will keep them at par with gold, as fractional silver coin, issued under the act approved February 21, 1853, was kept at par with gold.

The amount of such coin that can thus be maintained at par with gold can not be fairly tested until resumption is accomplished. As yet paper money has been depreciated, and silver dollars, being receivable for customs dues, have naturally not entered into general circulation, but have returned to the Treasury in payment of such dues; and thus the only effect of the attempt of the Department to circulate them has been to diminish the gold revenue. After resumption these coins will circulate in considerable sums for small payments. To the extent that such demand will give employment to silver dollars, their use will be an aid to resumption rather than a hindrance; but, if issued in excess of such demand, they will at once tend to displace gold and become

the sole standard, and gradually, as they increase in number, will fall to their value as bullion. Even the fear or suspicion of such an excess tends to banish gold, and, if well established, will cause a continuous drain of gold until imperative necessity will compel resumption in silver alone. The serious effects of such a radical change in our standards of value can not be exaggerated; and its possibility will greatly disturb confidence in resumption, and may make necessary larger reserves and further sales of bonds.

The Secretary therefore earnestly invokes the attention of Congress to this subject, with a view that either during the present or the next session the amount of silver dollars to be issued be limited, or their ratio to gold for coining purposes be changed.

Gold and silver have varied in value from time to time in the history of nations, and laws have been passed to meet this changing value. In our country, by the act of April 2, 1792, the ratio between them was fixed at one of gold to fifteen of silver. By the act of June 28, 1834, the ratio was changed to one of gold to sixteen of silver. For more than a century the market value of the two metals had varied between these two ratios, mainly resting at that fixed by the Latin nations, of one to fifteen and a half.

But we can not overlook the fact that within a few years, from causes frequently discussed in Congress, a great change has occurred in the relative value of the two metals. It would seem to be expedient to recognize this controlling fact—one that no nation alone can change—by a careful readjustment of the legal ratio for coinage of one to sixteen, so as to conform to the relative market values of the two metals. The ratios heretofore fixed were always made with that view, and, when made, did conform as near as might be. Now that the production and use of the two metals have greatly changed in relative value, a corresponding change must be made in the coinage ratio. There is no peculiar force or sanction in the present ratio that should make us hesitate to adopt another, when in the markets of the world it is proven that such ratio is not now the true one. The addition of one tenth or one eighth to the thickness of the silver dollar would scarcely be perceived as an inconvenience by the holder, but would inspire confidence, and add greatly to its circulation. As prices are now based on United States notes at par with gold, no disturbance of values would result from the change.

It appears from the recent conference at Paris, invited by us, that other nations will not join with us in fixing an international ratio, and that each country must adapt its laws to its own policy. The tendency of late among commercial nations is to the adoption of a single standard of gold and the issue of silver for fractional coin. We may, by ignoring this tendency, give temporarily increased value to the stores of silver held in Germany and France until our market absorbs them; but, by adopting a silver standard as nearly equal to gold as practicable, we make a market for our large production of silver, and furnish a full, honest dollar, that will be hoarded, transported, or circulated, without disparagement or reproach.

It is respectfully submitted that the United States, already so large-

ly interested in trade with all parts of the world, and becoming, by its population, wealth, commerce, and productions, a leading member of the family of nations, should not adopt a standard of less intrinsic value than other commercial nations. Alike interested in silver and gold, as the great producing country of both, it should coin them at such a ratio and on such conditions as will secure the largest use and circulation of both metals without displacing either. Gold must necessarily be the standard of value in great transactions, from its greater relative value, but it is not capable of the division required for small transactions; while silver is indispensable for a multitude of daily wants, and is too bulky for use in the larger transactions of business, and the cost of its transportation for long distances would greatly increase the present rates of exchange. It would, therefore, seem to be the best policy for the present to limit the aggregate issue of our silver dollars, based on the ratio of sixteen to one, to such sums as can clearly be maintained at par with gold, until the price of silver in the market shall assume a definite ratio to gold, when that ratio should be adopted, and our coins made to conform to it; and the Secretary respectfully recommends that he be authorized to discontinue the coinage of the silver dollar when the amount outstanding shall exceed fifty million dollars.

The Secretary deems it proper to state that in the mean time, in the execution of the law as it now stands, he will feel it to be his duty to redeem all United States notes presented on and after January 1 next, at the office of the Assistant Treasurer of the United States in the city of New York, in sums of not less than fifty dollars, with either gold or silver coin as desired by the holder, but reserving the legal option of the Government; and to pay out United States notes for all other demands on the Treasury, except when coin is demanded on coin liabilities.

It is his duty as an executive officer to frankly state his opinions, so that if he is in error Congress may prescribe such a policy as is best for the public interests.

The report of the Comptroller of the Currency presents full and interesting information as to the national banks. The number in existence on October 1 was 2,053. The amount of their circulating notes outstanding, including those in liquidation, was \$323,147,719; the capital invested was \$466,147,436; the surplus fund and profits were \$157,833,993; the loans and discounts were \$830,521,542.

This system of banks, though of recent growth and adopted as an experiment amid the necessities developed by the civil war, has, under wise management, become the most important business agency in the country. Though still under trial and subject at all times to the discretion of Congress to discontinue and limit its existence and operations, it may be fairly claimed, as already established by experiment, that the system possesses certain advantages over any other heretofore existing in this country, and possible only with a national system.

1. The security of the bill-holder from loss through failure of the bank.
2. The rapidity and certainty of the detection and prevention of

counterfeiting, from the fact that the notes are engraved, printed, and redeemed at the Treasury Department.

3. The frequent and careful examination of the banks, and the publication of the detailed statements of their condition.

4. Uniformity and free circulation of the notes throughout the United States, without respect to the place of their issue.

5. The admirable provisions by which failing banks are placed in liquidation, and their assets cheaply and promptly applied to the payment of creditors.

These and other advantages, derived to the public from a national system of banks over a State system, seem to be fully demonstrated, and, though irksome and apparently hard to the banks, are a benefit and security to the stock-holders and a safeguard to the public.

The only franchise conferred by this system, that can not be freely enjoyed by private bankers under State law, is the power to issue circulating notes. This, it is conceded, is a franchise conferred by the Government, but it is not in the nature of a monopoly. It may be exercised by any five persons who have the means, and will comply with the law.

Whether the power to issue circulating notes should be granted to private corporations or be exercised only by the Government, is purely a question of public policy and public interest. In behalf of a circulation issued by the Government, it is claimed that interest is saved to the public on the full amount of the notes issued. To this it is replied that the issue of such notes necessarily involves their redemption in coin, and this can be secured only by coin reserves and the ordinary machinery of banks. If the banks issue notes, they expect to derive a profit from their loan; but this profit is diminished by the burden of redemption, by the large taxes imposed upon the franchise, and by the risk always incident to the issue of circulating notes. These are considerations which will, no doubt, enter into the question of the permanency of the national banking system; but as the banks of this system are each organized under the law for twenty years, and none of them expire until June, 1883, it is respectfully submitted that it is good policy to continue the experiment until that date, when the public mind will be better prepared to consider the questions involved.

The annual report of the Director of the Mint exhibits in detail the operations of the several mints and assay offices, and also presents interesting information relative to the production of gold and silver in the United States, the estimated amount of gold and silver coin and bullion in the country, the depreciation of silver, the position of the American trade dollar in the Oriental trade, and other subjects connected directly or indirectly with the coinage.

The value of the gold coinage executed during the last fiscal year was . . . . .	\$52,798,980 00
Of trade dollars . . . . .	11,878,010 00
Of standard silver dollars . . . . .	8,578,500 00
Of fractional silver coin . . . . .	8,889,815 00
And of minor coin . . . . .	30,694 00
	<hr/>
A total coinage of . . . . .	\$81,120,499 50

In addition to the coinage, fine and unparted bars were prepared

for depositors in the amount of \$12,501,926.23 in gold, and \$11,854,385.87 in silver.

It is manifest, from the proven capacity of the several mints, that our coinage facilities are ample for all purposes.

The present production of bullion from the mines of the United States appears to approximate one hundred million dollars in value. All the gold bullion produced in the country contains more or less silver, and the greater portion of the silver bullion from our mines contains a percentage of gold, making it difficult to determine with accuracy the proportion of each. It is safe, however, to state that the production of the two metals, calculated at their coining rates, is nearly equal.

During the year 1877 and the first few months of the present year, trade dollars, to the amount of probably four million pieces, were placed in circulation in the States east of the Rocky Mountains, with a full knowledge on the part of the parties engaged in the business that the coin was not a legal tender. This coin is in no sense money of the United States which the Government is bound to redeem or care for. The Government stamp upon it is to certify to its weight and fineness for the convenience of dealers in silver bullion. It is precisely like any other silver bullion assayed at any assay office or mint. The limited legal-tender quality originally given to it was taken away before any of the coins were put into domestic circulation, and it should not now be given any value or attribute at the expense of the public that is not incident to any other silver bullion. The Government has received no benefit from this coinage, and has neither received it nor paid it out. The whole connection of the Government with this bullion was to perform the mechanical work of assaying and dividing it into convenient form for the merchant, at his cost, and for his benefit, for exportation only.

Recent advices from our Minister to China indicate that a considerable amount of trade dollars is now being hoarded in that empire, and will be returned to us if a discrimination is made in their favor over other bullion. No distinction can be made between trade dollars in the United States and those out of the United States; but, if redeemed at all, they must all be redeemed alike. The bullion in 35,853,360 trade dollars outstanding can now be purchased from our miners for \$31,256,050. It would be a manifest injustice to deprive them of our market for their bullion, in order to discriminate in favor of bullion coined for exportation and held chiefly in foreign countries.

At times the fractional coins of the United States accumulate at certain places and are wanted at others. It is recommended that this department be authorized to redeem them in United States notes when presented in sums of one hundred dollars, or any multiple thereof, at the mint at Philadelphia, where they can be recoined if necessary, and distributed.

The amount of gold coin and bullion in the country, September 30th, is estimated by the Director at \$259,353,390, and of silver coin and bullion at \$99,090,557—a total of \$358,443,947.

The estimating of the production of the precious metals in this



country, and of the amount of coin and bullion, is a matter attended with great difficulties, and the estimates can only be regarded as approximately correct, though they have been compiled from the best attainable sources.

By reason of the acts authorizing this Department to purchase gold and silver bullion at the several mints and assay offices, its transportation is thrown upon the Government. The great body of the bullion accumulates in San Francisco and Carson, and the chief transportation is from those places to New York. Efforts were made to secure favorable rates, but the lowest offer was three tenths of one per cent. for gold and one and two tenths per cent. for silver, which was deemed to be excessive. Silver coin and bullion can be transported with but little risk, while at the rate proposed for transporting a car containing \$250,000, or about eight tons, the cost would be \$3,000. The chief cost is in the transportation over the Central and Union Pacific Railroads, both largely indebted to the United States. It is respectfully submitted that the rate over these roads be prescribed by Congress, and that the proceeds form part of the sinking fund of said railroads, provided by law.

\* \* \* \* \*

JOHN SHERMAN,  
*Secretary of the Treasury.*

HON. SAMUEL J. RANDALL,  
*Speaker of the House of Representatives.*

THE END.

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